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No. 80-197

IN THE

Supreme Court of the United States

OCTOBER TERM, 1980

WORLDWIDE CHURCH OF GOD, INC., *et al.*,
Petitioners,

v.

THE PEOPLE OF THE STATE OF CALIFORNIA,
Respondent.

PETITION FOR WRIT OF CERTIORARI TO THE SUPERIOR COURT OF THE STATE OF CALIFORNIA FOR LOS ANGELES COUNTY

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QUESTIONS PRESENTED

1. Whether, pursuant to an *ex parte* court order, a State Attorney General's searches of the premises of a church and of its accounting and advertising firms and the seizures therefrom of books, papers and effects met the requirements of the First, Fourth, and Fourteenth Amendments, where:

   a. The order was not issued upon probable cause;

   b. The order contained no provision particularly describing the places to be searched or the papers or things to be seized; and

   c. The search and seizures themselves were unlimited, general and indiscriminate and resulted in the removal of thousands of documents, books and records.

2. Whether such searches and seizures are immune from compliance with First and Fourth Amendment requirements:

   a. Because the *ex parte* court order appointed a temporary receiver for the church under whose nominal supervision the Attorney General conducted the searches and seizures; or

   b. Because no church or other charity has "any reasonable expectation of privacy" from the Attorney General in any of its papers and effects, all of which are "truly owned . . . by . . . the people of California . . ."

PARTIES

Petitioners are the Worldwide Church of God, Inc., Ambassador College, Inc., and Ambassador International Cultural Foundation (all incorporated in California and hereinafter collectively referred to as "the Church"); Herbert W. Armstrong, the founder and Pastor General of the Church and of the unincorporated spiritual body, the Worldwide Church of God ("Worldwide Church"), of which the Church is a corporate instrumentality; Stanley R. Rader, Treasurer of the Church, Evangelist in the Worldwide Church, and senior personal advisor to Mr. Armstrong; Ralph K. Helge, long-time attorney and officer of the Church; Henry Cornwall, a close associate of Messrs. Rader and Helge; and Worldwide Advertising, Inc., a California corporation through which the Church proclaims its gospel and disseminates other information.

Respondent is the People of the State of California.

TABLE OF CONTENTS

	Page
Questions Presented	(i)
Parties	(ii)
Opinions Below	1
Jurisdiction	2
Constitutional Provisions	2
Statement of the Case	3
Reasons for Granting the Writ	9
Conclusion	17
Appendix A	1a

TABLE OF AUTHORITIES

Cases: Page

Aguilar v. *Texas*, 378 U.S. 108 (1964) 16
Colonnade Catering Corp. v. *United States*, 397 72 (1972) 11
Dier v. *Barton*, 262 U.S. 147 (1923) 9
Lo-Ji Sales, Inc., v. *New York*, 442 U.S. 319 (1979) 15
Marshall v. *Barlow's Inc.*, 436 U.S. 307 (1978) 13, 15
Minneapolis St. Paul & Sault St. Marie Ry. Co. v. *Rock*, 279 U.S. 410 (1929) 17
Payton v. *New York*, 100 S. Ct. 1371 (1980) 14, 15
People v. *Gershenhorn*, 225 Cal. App. 2d 122, 37 Cal. Rptr. 176 (1964) 2, 17, 18
Stanford v. *Texas*, 379 U.S. 476 (1965) 2, 11, 13-14, 17, 18
United States v. *United States District Court*, 407 U.S. 297 (1972) 11
United States v. *Biswell*, 406 U.S. 311 (1972) 11
United States v. *Evans*, 572 F.2d 455, *cert. denied*, 439 U.S. 870 (1978) 9
Virginian Ry. Co. v. *Mullens*, 271 U.S. 220 (1926) .. 17
Worldwide Church of God, Inc., et al. v. *State of California, et al., cert. denied*, 48 U.S.L.W. 3780 (U.S. June 2, 1980) 8
Zurcher v. *Stanford Daily*, 436 U.S. 547 (1978) .. 11

Constitutional Authorities:

Amendment I 2
Amendment IV 2
Amendment XIV, § 1 3

INDEX TO APPENDIX A *

	Page
Superior Court Order (March 14, 1980)	1a
Court of Appeals Order Denying Petition for Mandate (April 22, 1980)	3a
Supreme Court Order (June 4, 1980)	4a
Order Appointing Temporary Receiver; Temporary Restraining Order; and Order to Show Cause Re Receiver and Injunction Pendente Lite (January 2, 1979)	5a

* The pages in Appendix A in this petition are indicated by an 'a' following the page number. Appendix B is a separately bound, separately indexed, volume with pages indicated by a "b" following the number.

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OPINIONS BELOW

The order of the Superior Court of the County of Los Angeles denying Petitioners' motion for the return of property illegally seized and for suppression of its use is unreported and produced at App. 1a. No opinion was rendered by the Court of Appeal of the State of California, which denied Petitioner's Petition for Writ of Mandate by Order dated April 22, 1980. App. 3a. No opinion was issued by the Supreme Court of California, which denied Petitioners' Petition for Hearing, one justice dissenting, by Order dated June 4, 1980. App. 4a.

JURISDICTION

The judgment of the Superior Court sought to be reviewed by this Petition was an order denying Petitioners' motion for return of property, entered on March 14, 1980. Such a ruling on a motion to return property illegally seized is considered final under California law, subject to discretionary review by Writ of Mandate. *People* v. *Gershenhorn*, 225 Cal. App. 2d. 122, 126, 37 Cal. Rptr. 176, 178 (1964). Petitioners filed a timely Petition for Writ of Mandate in the Court of Appeal of the State of California, Second Appellate District, Division Four. That Petition was denied by Order entered April 22, 1980. Review was further sought in the California Supreme Court by Petition for Hearing dated May 2, 1980, and denied by Order filed June 4, 1980. This Petition is being filed within 90 days of the June 4, 1980, Order. This Court's jurisdiction is invoked under 28 U.S.C. § 1257(3). See *Stanford* v. *Texas*, 379 U.S. 476, 480 (1965).

CONSTITUTIONAL PROVISIONS INVOLVED

The following constitutional provisions are involved in this Petition for Certiorari:

United States Constitution, Amendment I:

"Congress shall make no law respecting an establishment of religion, or prohibiting the free exercise thereof. . . ."

United States Constitution, Amendment IV:

"The right of the people to be secure in their persons, houses, papers, and effects, against unreasonable searches and seizures, shall not be violated, and no Warrants shall issue, but upon probable cause, supported by Oath or affirmation, and particularly describing the place to be searched, and the persons or things to be seized."

United States Constitution, Amendment XIV, § 1:

"[N]or shall any State deprive any person of life, liberty, or property, without due process of law; nor deny to any person within its jurisdiction the equal protection of the laws."

STATEMENT OF THE CASE

The Worldwide Church is a half century old church with an international membership of over 70,000 members, maintaining a corporate headquarters in Pasadena, California. On the morning of January 3, 1979, without any prior warning, the California headquarters of the Church was forcibly taken over by officers of the State, who occupied the building for a period of seven weeks, searching the files of the Worldwide Church without restriction and indiscriminately seizing thousands of documents from its offices and the offices of its advertising firm and independent accountant. The pertinent facts are as follows: [1]

1. On January 2, 1979, the day preceding the takeover, without notice to Petitioners, a Deputy Attorney General, three Specially Appointed Deputy Attorneys General who on behalf of six Church dissidents instigated this action by the Attorney General's office, and a person they had preselected as a receiver, all met *ex parte* with a Superior Court judge. They discussed with him a complaint they proposed to file which charged certain Church leaders with "pilfering" and "siphoning" Church revenues and which sought an accounting, removal and replacement of directors, appointment of a receiver, and injunctive and other relief. The judge agreed that, after

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[1] The facts stated herein are confined to matters of record below which were not disputed by the Attorney General. Only the legal inferences to be drawn therefrom are in dispute.

the filing of the proposed complaint, he would appoint the pre-designated person as temporary receiver. After this meeting, the complaint was filed and the Superior Court judge signed an order appointing the temporary receiver. App. 5a, 1b, 11b.

2. The order appointing the temporary receiver directed him "to take possession . . . of all of the funds, assets, and property" of defendants Worldwide Church of God, Inc., and its associated corporations" "and of all the books and records." App. 5a.

3. The allegations of the complaint concerning wrongdoing were all made on information and belief. Although declarations were filed by the Attorney General in support of his application for appointment of a temporary receiver (App. 23b), many of the allegations in the declarations concerned transactions which were from two to eleven years old or more.[2] Many were based on information contained in audit reports of the Church and disseminated through Church publications such as the Pastor's Report to Church ministers. App. 34b, 109b. The allegation deemed crucial by the judge signing the *ex parte* order appointing the temporary receiver,[3] as

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[2] For example, the principal alleged "self-dealing" transactions of Petitioner Rader relied on by the Attorney General in the declarations involved the lease of a plane to the Church in 1967, an advertising agency formed in 1969, a house purchased in 1971, and an employment contract entered into in 1976, all publicly disclosed to the Church ministry in a Pastor's Report in August 1978. App. 40b-44b.

[3] The judge in his *ex parte* meeting described as a "cruncher" the allegations of imminent sale of a Church college campus in Texas for ten million dollars which was alleged to be worth thirty million. App. 12b. The allegation of a thirty million dollar value was based on newspaper stories and the unsupported statement of a heating and plumbing contractor App. 107b-108b, 138b-142b. Subsequently

well as other allegations of massive liquidation of Church real estate in Pasadena below market value, were later found by the Superior Court to rest on "sheer speculation, conclusion and hearsay." App. 239b.

4. Nonetheless, the *ex parte* order appointing the temporary receiver was signed by the judge who had agreed in advance to sign it. The next morning, January 3, 1979, with no warning whatsoever to the Church or to any other Petitioner, the temporary receiver, with a Specially Appointed Deputy Attorney General, two State security officials, four local police officers, sheriff's agents, a district attorney, and State and private auditors, appeared at the Church's Pasadena headquarters. The Specially Appointed Deputy Attorney General demanded from Petitioner Rader's secretary "all files in your office." She was threatened with arrest when she said she wanted to talk to an attorney. A policeman banged on the office door with a night stick, threatening to arrest those within when the door was opened. App. 162b, 177b, 216b.

5. Threats were made that the doors would be broken down to gain access to the executive suite of offices on the fourth floor of the Church building. The temporary receiver himself subsequently ordered that "whatever

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produced evidence demonstrated that the sale was not imminent and in fact was for a price in excess of its appraised value. App. 246b-247b.

Similarly, the allegation of shredding of documents was based on a single statement by a declarant that: "I have also been advised that many records are being mechanically shredded or destroyed." App. 107b. Neither that nor any other declarant specified what documents were being shredded, the purpose for doing so, the identity of the alleged shredders, or the underlying circumstances, if any, which supported the conclusory statement of shredding. Moreover, at a subsequent hearing a Superior Court judge found no reliable evidence o fshredding or tampering with records. App. 249b.

force" was necessary to gain access to the offices on the fourth floor that were locked would be used. App. 166b, 179b.

6. When access was gained, the State representatives "rushed in the room and started picking up files, boxes, and otherwise seizing everything in the office that was made of paper." App. 163b. "They rummaged through every office in the executive suite, including the offices" of Petitioners Armstrong and Rader. They "were going through drawers, cabinets, files, and closets, etc., so fast, and in so many different areas at once, that it was impossible . . . to even monitor or observe the files and records they were going through or pulling out, or what files they took and what they left." App. 219b-220b.

7. Searches were made in air conditioning vents for allegedly hidden records. An attorney for the Church who appeared on the scene, and other Church officials, were subsequently prevented from observing what was occurring; they were locked out of the offices being searched and the locks on the doors were changed. Voluminous files, records, documents, and other writings were subsequently seized and carted away to the receiver's office. App. 164b.

8. When Church personnel were finally allowed back into the executive suites five days later, "the offices were in a shambles . . . . One of [the] xerox machines was smoking." "One of the machines was actually burned out so that it had to be replaced and the other had to be repaired." Eleven boxes of documents of the former treasurer of the Church were gone and Church personnel have never been informed of what happened to them. App. 215b.

9. Employees of the Church were also locked out of the data processing center of the Church, its accounting department. When they later were allowed to re-enter, they found the center in a state of complete disarray

with files jumbled and mixed up. To this day, Petitioners have never received an inventory of the tapes and other files and documents that were removed. App. 164b, 184b-185b.

10. That same morning, January 3, 1979, a special agent of the California Department of Justice, together with two Specially Appointed Deputy Attorneys General, appeared unannounced at the offices of the Church's accounting firm. They "demanded immediate access" from the managing partner of the firm to all of the records relating to the Church. Despite his protest that the documents in his possession were those of his accounting firm and not those of the Church and, therefore, not subject to the Court order at all, he was told that the powers of those demanding the records were "sufficiently extensive to embrace our records." By telephone the Deputy Attorney General who had presented the *ex parte* order to the judge told the accountant that "he [the Deputy Attorney General] is indeed in charge of the investigation and that the accountant had no privilege not to produce the documents." The State representatives seized and removed ten boxes of records belonging to the accounting firm. No inventory of the documents seized was made. Although about six weeks later the documents were allegedly returned after being copied, the accountant is aware of at least one document that was not returned and has no way of knowing whether others were not returned. App. 180b-183b.

11. The *ex parte* order of the Superior Court appointing the temporary receiver on January 2, 1979, makes no reference whatsoever to the Church's accounting firm. App. 5a.

12. One of the Specially Appointed Deputy Attorneys General went to the office of Petitioner Worldwide Advertising, Inc. It is admitted that from that office he "collected" the executive payroll records and other related records of the Church. App. 196b.

13. In the January 2 Order appointing the temporary receiver, the reference in the *proposed* order to "Worldwide Advertising, Inc., a California corporation" was crossed out by the judge, an act known and agreed to by a Deputy Attorney General and a Specially Appointed Deputy Attorney General. App. 5a, 21b.

14. The three Specially Appointed Deputy Attorneys General, at whose instigation on behalf of Church dissidents ("the Relators") the Attorney General filed the complaint and who pre-selected the Receiver, were in turn appointed Deputy Receivers by the Receiver. They led and conducted the searches and seizures in dispute. App. 196b. Their position as Specially Appointed Deputy Attorneys General was recognized by the Superior Court and repeatedly self-confirmed in the presence of the Superior Court and the Deputy Attorney General in charge of the State's investigation. App. 203b-204b, 223b, 226b-227b, 232b.

15. In late June, 1979, by order of the Superior Court, the Attorney General's Office gave the Church and other Defendants named in the complaint a list of the documents of the Church still in the State's possession as of June 15, 1979. The documents were more than 800 in number. The accounting firm which was used to conduct an audit of the Church furnished to Petitioners a list purporting to identify the documents it received, a list numbering 6918. App. 250b. At no time, however, have Petitioners ever received an inventory of what records, documents, files, other written materials, and tapes were seized from what premises, when, and by whom.

16. In the Superior Court proceeding,[4] the Church asserted violations of its Fourth Amendment rights in an

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[4] Discovery orders in that proceeding have been the subject of a petition for certiorari denied on June 2, 1980. *Worldwide Church of God, Inc., et al.* v. *State of California, et al., cert. denied*, 48 U.S.L.W. 3780 (U.S. June 2, 1980).

area protected by the First Amendment as well as violations of California law, and moved for a return of "all records, documents, files, tapes and other written materials and all fruits thereof taken from the premises" of the Church, alleging among other things "the lack of probable cause for issuance of the *ex parte* order; failure to notify the defendants of the proposed order; the absence of a valid search warrant based on probable cause stating with particularity the places to be searched and the property to be seized; the illegal exploratory, indiscriminate nature of the search and seizure . . ." App. 160b. The Superior Court denied that motion. The Church asserted violations of its constitutional rights both in the Petition for Writ of Mandate in the Court of Appeal and in the Petition for Hearing in the Supreme Court of California. Both Petitions were denied. App. 3a, 4a.

REASONS FOR GRANTING THE WRIT

The issue presented by this case—whether Fourth Amendment requirements apply when a State Attorney General secures an *ex parte* Court order appointing a receiver for an institution, here a church, and then, acting under the nominal supervision of the receiver, the Attorney General's office directs and participates in the forcible takeover of the church and the warrantless, indiscriminate seizure of its books and records—has not previously been decided by this Court or other federal courts.[5] The issue calls for review by this Court because

[5] In *Dier* v. *Barton*, 262 U.S. 147 (1923) this Court held that an involuntary bankrupt could not object on Fourth and Fifth Amendment grounds to the use in state grand jury proceedings involving him of his books and records which "were lawfully taken from him" and in the possession of a bankruptcy receiver. *Id.* at 150. In *United States* v. *Evans*, 572 F.2d 455, *cert. denied*, 439 U.S. 870 (1978) the Fifth

of the egregious Fourth Amendment violations established by the undisputed facts stated *supra*. Perhaps even more important, review is warranted because of the untenable and dangerous positions taken by the Attorney General on this issue in the State courts. The State's positions, though not formally reflected and approved in any court opinion (there being none), have nevertheless prevailed: Petitioners' motion was opposed on the basis of the Attorney General's arguments that the First, Fourth, and Fourteenth Amendments had not been violated; the Superior Court summarily ruled for the Attorney General; and Petitioners remain deprived of their books and records. The danger is that the State's success in its courts, both in obtaining the initial order and in defending the conduct taken pursuant to it, will lead to recurring and equally flagrant violations of the constitutional rights of others since it will reinforce the State's gross misconception of its power and authority over churches and other charitable entitles within its reach.

The premise upon which the State has acted throughout is that, vis-a-vis the Attorney General, the Church has no protectible Fourth Amendment interests in its books and records. As reflected in its Opposition to Petitioners' Motion in the Superior Court and in oral argument, the State's theory is that Petitioners have "no privileges, constitutional or otherwise" against investigation by the Attorney General, because a church or any nonprofit organization is a "charitable trust," whose assets and records belong to the public as beneficiary. App. 205b-212b, 228b-229b. Because the Attorney General is the representative of the public, "his inspection of [Petitioner Church's] records cannot constitute an un-

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Circuit found that an *ex parte* hearing and restraining order leading to a receiver's seizures in a state instigated receivership had "afforded safeguards as full as those provided by the process of obtaining a warrant." *Id.* at 486 n.43.

reasonable search and seizure within the Fourth Amendment" because, as against the trust beneficiary, "a trustee has no reasonable expectation of privacy in trust records." App. 210b.

Acceptance of this argument would permit the Attorney General, without any restraint whatsoever, to do as he has done here—to forcibly enter without notice, ransack and seize books and records without limit from any church, synagogue or other religious organization, or from persons or businesses who have been entrusted with their records (such as accountants or advertisers), wherever they may be located and whenever he chooses.

It is hardly surprising that Respondent was unable to unearth any authority in support of this astounding position. Indeed, the law is obviously directly to the contrary. Where, as here, "First Amendment interests would be endangered by a search," *"the courts apply the warrant requirements with particular exactitude."* *Zurcher* v. *Stanford Daily*, 436 U.S. 547, 565 (1978) (emphasis supplied). *See also*, *Stanford* v. *Texas*, 379 U.S. 476, 481-85 (1965); cf. *United States* v. *United States District Court*, 407 U.S. 297, 313-14 (1972).[6] Here, however, the Attorney General did not apply the warrant requirements to churches "with particular exactitude." He ignored them altogether. Indeed, with the unquestioning, prearranged acquiescence of the hearing judge, he abolished them. Yet the books and record thus seized from Petitioners have not been returned to them.

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[6] Contrast the limited exception for warrantless searches of firearms, alcohol, or other closely regulated businesses. *United States* v. *Biswell*, 406 U.S. 311 (1972); *Colonnade Catering Corp.* v. *United States*, 397 U.S. 72 (1972). In the state courts the Attorney General, remarkably, contended that this exception applied to churches as well. App. 212b-213b.

In defending this outcome below, the Attorney General also contended that Fourth Amendment requirements are inapplicable because the search and seizure was undertaken against the Petitioners pursuant to a judicially-created receivership.[7] This argument proves too much. Its underlying and plainly mistaken premise is that the judicial origins of the challenged conduct, and the usual function of a receivership (to take over a business or institution), can suffice to legitimize the illegality that resulted. In fact, just the opposite is true. There is no irreconcilable conflict between the Fourth Amendment and a receivership obtained at the request of the State as long as the authority requesting the receivership and the authority appointing the receiver recognize that it is the receivership that must accommodate the Fourth Amendment and not the reverse. Here, no such accommodation was attempted, let alone accomplished. Indeed, the need to reach any accommodation with Petitioners' rights of privacy was blatantly ignored.

The procedure followed in obtaining the appointment of the receiver in this case and the execution of the order appointing him is not unlike that followed with a search warrant. State law enforcement authorities appeared *ex parte* before the Superior Court secured an order purporting to authorize them to enter Petitioners' premises to seize papers and other property, and then executed

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[7] The instant receivership, of course, is not one involving private litigants only. This is a case in which the receivership was created at the instigation of the chief law enforcement officer of the State, and in which the resulting searches and seizures, carried out pursuant to the receivership, were led and conducted by State authorities. This was of course state action, as the Attorney General conceded at oral argument in the Superior Court. App. 223b ("the issuance of the Court Order and its implementation are state action just as much as the action of a deputy attorney general.")

that order. The constitutional deficiency is that Petitioners, as victims of this search and seizure, were accorded none of the Fourth Amendment protections (1) of particularity and probable cause, and (2) from resulting indiscriminate, exploratory searches and seizures.

The label of a "receivership" cannot mask the reality of a warrantless intrusion by the State in a civil investigation, an intrusion to which Fourth Amendment requirements unquestionably apply. *Marshall* v. *Barlow's Inc.*, 436 U.S. 307, 312-313 (1978). The receiver here was not, as the concept ordinarily implies, a neutral court officer. Instead, he was a partisan of the State, preselected by it, who, once appointed, promptly delegated to those who obtained his appointment the authorization to take possession of the Church's books and records (App. 156), an authorization they turned into the opportunity to conduct a limitless, exploratory and grossly illegal search and seizure.

Thus the warrantless raid and seizure accomplished by the State in this case cannot be sustained on the basis invoked by the Attorney General, absent the creation of new warrant exceptions applicable peculiarly (1) to religious institutions, regarded as charitable trusts having no Fourth Amendment rights against the Attorney General, and (2) to State-secured receiverships which afford the State even greater search and seizure authority than warrants but impose no Fourth Amendment restirctions. Review by this Court is necessary to establish that these Fourth Amendment exceptions urged by the State do not comply with Fourteenth Amendment requirements.

Unadorned by the State's argument that religious institutions lack constitutional protection against the Attorney General's searches and seizures, and that otherwise invalid searches and seizures may be saved by a receivership label, this case would be directly governed by *Stan-*

ford v. *Texas*, *supra*, and would call not for plenary review but for summary reversal. That *only* the State's novel claims may be offered in support of the searches and seizures upheld below becomes clear once one examines the State's one attempt to defend its conduct in more conventional terms.

Lack of Particularity and Probable Cause, and Indiscriminate Searches and Seizures

As a second avenue of defense, the Attorney General argued in the Superior Court that the order appointing the temporary receiver "was the legal equivalent of a search warrant to the extent that a warrant was necessary." App. 222b. The *ex parte* order, however, clearly was *not* the legal equivalent of a search warrant because it did not remotely satisfy Fourth Amendment requirements of particularity and probable cause.

a. *Particularity.* It is clear from its face that the *ex parte* order appointing the temporary receiver did not state with particularity the places which could be searched and the things—records, documents, files and written materials—which could be seized. As to places, the order contained no authorization whatsoever, particularized or not, to search any location. Insofar as it could be and clearly was construed by State authorities to permit them to search and seize "where they pleased," unrestrained by the requisite particularity, it was a constitutionally defective general warrant. *Payton* v. *New York*, 100 S. Ct. 1371, 1378-79 n.21 (1980).

The order also impermissibly authorized the receiver to take possession of *all* of the Church's books and records. No limits of any sort were set on the kinds or nature of the Church papers and documents subject to seizure, whether confidential Church communications, other ecclesiastical items, business journals, audit reports, or other financial and accounting records. Nor were any limits set regarding the dates of records to be seized.

Execution of the order, therefore, resulted in precisely the kind of indiscriminate and random search and seizure that is the very danger of and objection to a limitless decree. *Lo-Ji Sales, Inc.* v. *New York*, 442 U.S. 319, 328-29 (1979). When the temporary receiver was subsequently questioned about what documents he had asked a Specially Appointed Deputy Attorney General to obtain from the Church's accountants located in another part of town from the Church, he replied, "[N]one in particular. Whatever he could find, I think." App. 227b. Nothing could better demonstrate the indiscriminate nature of these searches or more clearly establish their character as egregious violations of the constitutional rights of Petitioners. *Payton* v. *New York*, *supra*, at 1378-1379 n.21.

Although a receiver appointed at the behest of a private party may take possession of all books and records to operate a business, *the State* cannot, under the guise of an *ex parte* receivership obtained by it, forcibly seize the books and records of an institution without compliance with otherwise applicable Fourth Amendment standards. To hold otherwise would allow, and indeed invite, unwarranted circumventions of Fourth Amendment particularity requirements. And the order in this case simply will not do service as the equivalent of a particularized warrant. *Marshall* v. *Barlow's, Inc.*, *supra*, at 324 n.22 ("Delineating the scope of a search with some care is particularly important where documents are involved.").

b. *Probable Cause.* It is equally clear that the *ex parte* order authorizing the temporary receiver to take possession of the Church's books and records was not based on probable cause to believe that such books and records were fruits, implements, or evidence of crime. Although in *Marshall* v. *Barlow's Inc.*, *supra*, the Supreme Court noted that for "purposes of an administra-

tive search, probable cause in the criminal sense was not required" *if* "the search [was] to be conducted pursuant to an administrative plan containing specific neutral criteria" (436 U.S. at 320, 323), it is plain that there was no "administrative plan" containing "specific neutral criteria" in this instance. Consequently, the standard against which the search and seizure of Petitioners' property must be measured is probable cause in the criminal sense, particularly where, as here, the allegations in the complaint—"pilfering", "siphoning off", shredding of documents—charged conduct undeniably criminal in nature under California law. App. 1b.

Judged by this test, the invalidity of the challenged search and seizure is evident. The declarations used to procure the authorization to conduct the search did not even approach establishing the requisite probable cause. For example, the allegations about the shredding of documents and liquidation of real estate below market value were conclusory and speculative hearsay. App. 107b-108b. Thereafter, at a subsequent hearing, the Court below specifically found those allegations, which had been made solely on the basis of information and belief and not on personal knowledge, to be without factual support. App. 243b. Although hearsay can be relied on to establish probable cause, the speculative, unsupported, conclusory hearsay involved here was wholly insufficient. *Aguilar* v. *Texas*, 378 U.S. 108 (1964).

The Attorney General's allegations relating to excessive expenditures by Petitioner are similarly insufficient. While these averments may reflect the standards of frugality and extravagance *he* would impose on religious organizations, they clearly do not establish probable cause to believe crimes have been committed. There was no concealment of these expenditures; virtually all of the information relied on by the Attorney General came directly from the Church's own accounting and financial

records. It is clear that non-concealed reports of allegedly excessive expenses involving transactions from two to eleven years old do not establish probable cause for search warrants. Indeed, the declarations here do not establish even mere suspicion of criminal violations, let alone probable cause.

In short, none of the declarations presented to the Superior Court judge provided grounds for the issuance of the *ex parte* order upon which the search and seizure undertaken against Petitioners was based. Plainly the order should not have been issued and the raid should not have been executed. This illegality cannot be allowed to stand.

CONCLUSION

Viewed as an ordinary search and seizure decision, the judgment below should therefore be reversed on the authority of *Stanford* v. *Texas*.[8] Viewed instead as a

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[8] The procedural posture of this case is virtually on all fours with that in *Stanford* v. *Texas, supra*. There a lower court (magistrate) denied a motion to annul a search warrant and to obtain the return of property seized thereunder. Its order was final and not reviewable on direct appeal or otherwise. This Court granted certiorari. *Stanford* v. *Texas*, 377 U.S. 989 (1964). The only difference here is that, although denial of the motion to return property is final under California law, it is subject to discretionary review (*People* v. *Gershenhorn, supra*), and Petitioners have exhausted that avenue of review. The judgment below is therefore a "[f]inal judgment or decree rendered by the highest court of a State in which a decision could be had . . ." 28 U.S.C. 1257. *Minneapolis St. Paul & Sault St. Marie Ry. Co.* v. *Rock*, 279 U.S. 410 (1929); *Virginian Ry. Co.* v. *Mullens*, 271 U.S. 220 (1926).

On the merits, in *Stanford* v. *Texas*, this Court held the search illegal, vacated the order denying Petitioners' motion,

decision testing the proposition that Churches enjoy little or no protection against unreasonable search and seizure, at least when the device of a receivership is used, the judgment below raises novel questions of the widest importance. In either event, Petitioners have been aggrieved by searches and seizures that flagrantly violate established First and Fourth Amendment principles. Yet Petitioners continue to be denied the return of their property and other appropriate relief. The First and

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and remanded. If certiorari is granted in this case, that is the precise relief Petitioners would seek from this Court. If Petitioners prevail here on the issue of illegality, on remand they would then seek not only return of this property but also suppression of any use of the property by the State, since under California law both forms of relief clearly would be available. *People* v. *Gershenhorn, supra,* 225 Cal. App. 2d at 124, 37 Cal. Rptr. at 177. The issue of entitlement to suppression in this case has not been resolved by the California Courts, which have simply upheld the legality of the searches and seizures. If the trial court had held the searches and seizures illegal, there is no dispute that under California law Petitioners would have been entitled to immediate return of their property despite the existence of a pending case. *People* v. *Gershenhorn, supra,* 225 Cal. App. 2d at 126, 37 Cal. Rptr. at 177-78. The unanimous opinion of this Court in *Stanford* v. *Texas, supra,* does not disclose whether any case was pending in which the seized property may have been used. The pendency of such a case is similarly of no consequence here. For under California law the motion to return property is considered "a separate procedure" and "unlike an order denying a motion to suppress, an order denying return cannot be regarded as interlocutory in nature. . . ." *People* v. *Gershenhorn,* 225 Cal. App. 2d at 125, 37 Cal. Rptr. at 178.

Fourth Amendment issues thus presented clearly warrant resolution by this Court.

Respectfully submitted,

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Counsel for Petitioners

APPENDIX A

APPENDIX A

SUPERIOR COURT OF CALIFORNIA
COUNTY OF LOS ANGELES

Dept. 80

Date—March 14, 1980

Honorable Robert Weil, Judge

I. Brown, Deputy Cleark

L. Sartorio, Reporter

C 267 607

THE PEOPLE OF THE STATE OF CALIFORNIA

vs

WORLDWIDE CHURCH OF GOD, INC.,
a California Corp., *et al.*

Counsel for Plaintiff

George Deukmejian
By: L. Brainard (x)
J. Cordi (x)

Counsel for Defendant

Ervin, Cohen and Jessup
By: A. Browne (x)
E. Silbert (x)
M. Morgan (x)
R. Helge (x)

Nature of Proceedings

Motion of defendants for return of property illegally obtained and suppression of all use direct or indirect, of the property obtained

(SECOND CONT)

Request to admit E. Silbert as attorney pro hac vice is granted. Requirement of CRC 983 is waived.

Motion is argued and taken under submission.

LATER: Motion is denied.

Counsel for respondent to give notice.

Counsel notified by U. S. mail as follows:

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JAMES CORDI
LAUREN R. BRAINARD
Deputy Attorneys General
3580 Wilshire Blvd.
Los Angeles, Calif. 90010

Los Angeles, Cal. Apr. 22, 1980

No. 59032

WORLDWIDE CHURCH OF GOD, INC.

vs.

SUPERIOR COURT, L.A. CO.

The Court:

Petition for writ of mandate denied.

CLAY ROBBINS, *Clerk*

Order Due June 20, 1980

ORDER DENYING HEARING
AFTER JUDGMENT BY THE COURT OF APPEAL

2d District, Division 4, Civil No. 59032

IN THE SUPREME COURT OF THE
STATE OF CALIFORNIA
IN BANK

WORLDWIDE CHURCH OF GOD, INC., ETC., ET AL.,
Petitioners,

v.

THE SUPERIOR COURT OF LOS ANGELES COUNTY,
Respondent;

PEOPLE, ET AL.,
Real Parties in Interest.

Petition for hearing DENIED.

Bird, C.J., is of the opinion that the petition should be granted.

/s/ Bird
Chief Justice

I, G. E. BISHEL, Clerk of the Supreme Court of the State of California, do hereby certify that the preceding is a true copy of an order of the Court, as shown by the records of my office.

Witness my hand and the seal of the Court this 6th day of June A.D. 1980.

/s/ R. Necco
Deputy Clerk

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LAWRENCE R. TAPPER
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Attorneys for Plaintiff and Relators

SUPERIOR COURT OF THE
STATE OF CALIFORNIA
FOR THE COUNTY OF LOS ANGELES

No. C 267607

THE PEOPLE OF THE STATE OF CALIFORNIA, *ex rel.*
ALVIN EARL TIMMONS, *et al.*,
Plaintiff,

vs.

WORLDWIDE CHURCH OF GOD, INC.,
a California corporation, *et al.*,
Defendants.

ORDER APPOINTING TEMPORARY RECEIVER; TEMPORARY RESTRAINING ORDER; AND ORDER TO SHOW CAUSE RE RECEIVER AND INJUNCTION PENDENTE LITE

Upon reading and considering the verified complaint on file herein, and the Ex Parte Application for Temporary Restraining Order, etc. and supporting Memorandum and Declarations; and good cause appearing therefor, IT IS HEREBY ORDERED AS FOLLOWS:

1. The defendants and each of them, are hereby ordered to appear before this Court in Department 85, at 111 North Hill Street, Los Angeles, California 90012, at 9:00 a.m., on January 10, 1979, then and there to show cause why:

(a) The Honorable Steven S. Weisman, a retired Judge of this Court, should not be appointed as receiver *pendente lite*, to take possession; until further order of this Court, of all of the property of defendants Worldwide Church of God, Inc. and its associated corporations (as identified in the complaint on file herein), and of all their books and records; and empowering him to take such actions as he deems, in the reasonable exercise of his discretion, appropriate to recover property or assets wrongfully taken from the Church, and to prevent the further dissipation of Church property and assets, said power to include without limitation the power to bring lawsuits in the name of the Church or any of its affiliated organizations, and to retain independent accountants, lawyers, and other professional assistants to assist him the prosecution of such lawsuits;

(b) An injunction *pendente lite* should not issue, restraining the defendants, their agents, employees, and all persons acting in concert with them, during the pendency of the action, from interfering in any way with the actions of said receiver, and from withholding from him any of the funds, assets, books, records, or administrative

facilities of the corporate defendants; and further enjoining and restraining the individual defendants and each of them, their agents, employees, and all persons acting in concert with them from selling, mortgaging, transferring, disposing, or asserting ownership in any other way, over the property or assets of any of the corporate defendants, except with the written consent of the receiver or with leave of Court.

2. Pending the hearing on said Order to Show Cause, the said Steven S. Weisman is hereby appointed forthwith as a temporary receiver, and upon qualifying and posting a bond pursuant to C.C.P. § 567 in the sum of $10,000, [J.P.] he is authorized to act pending the hearing on said order to show cause, and to take possession forthwith of all of the funds, assets, and property, and all of the books and records, of the corporate defendants named in the complaint on file herein, viz: Worldwide Church of God, Inc., a California corporation; Ambassador College, Inc., a California corporation; Ambassador International Cultural Foundation, Inc., a California corporation; [Wilshire Travel, Inc., a California corporation; Worldwide Advertising, Inc., a California corporation; Gateway Publishing, Inc., a California corporation; and Environmental Plastics, Inc., a Texas corporation qualified to do business in California;]* and empowering said receiver to take such actions pending the hearing and said order to show cause as he deems, in the reasonable exercise of his discretion, appropriate to preserve and protect the funds and assets of the Church and its associated corporations from dissipation, misappropriation, or other improper diversion; and

3. Pending the hearing on said Order to Show Cause, the defendants and each of them, and their agents, em-

---

* The portion enclosed in bold faced brackets was struck through by the Superior Court Judge and initialed by him before the order was signed.

ployees, and all persons acting in concert with them, are hereby enjoined and restrained from interfering with or obstructing the receiver in the discharge of his duties, or from withholding from him any of the funds, assets, properties, books, or records of the said corporations; and are further temporarily enjoined and restrained from selling, mortgaging, encumbering, or otherwise disposing of any of the assets of the Church or its associated corporations.

4. No bond need be posted herein by plaintiff.

5. A copy of this order, together with a copy of the *ex parte* application and all supporting papers and of the verified complaint, shall be served on each of the defendants no later than 5:00 p.m. on January 4, 1979.
Dated: 2 Jan. 1979

/s/ Jerry Pacht
Judge of the Superior Court

Supreme Court, U. S.
FILED
AUG 8 1980
MICHAEL RODAK, JR., CLERK

APPENDIX B

No. 80-197

IN THE

Supreme Court of the United States

OCTOBER TERM, 1980

WORLDWIDE CHURCH OF GOD, INC., *et al.*,
Petitioners,

v.

THE PEOPLE OF THE STATE OF CALIFORNIA,
Respondent.

PETITION FOR WRIT OF CERTIORARI TO THE SUPERIOR COURT OF THE STATE OF CALIFORNIA FOR LOS ANGELES COUNTY

EARL J. SILBERT
JEROME FINK
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INDEX TO APPENDIX B

	Page
Complaint (filed January 2, 1979)	1b
Ex Parte Hearing to Appoint A Receiver	11b
Ex Parte Application for Temporary Restraining Order and Order to Show Cause	23b
Authorization by Receiver (January 3, 1979)	156b
Excerpts from Transcript of Taped Receivership Meeting (January 4, 1979)	157b
Motion for Return of Property Illegally Obtained (February 28, 1980)	159b
Supplemental Exhibits to Motion for Return of Property	201b
Excerpts from Attorney General's Opposition to Motion for Return of Property	207b
Declarations Filed with Defendants' Reply to Opposition to Motion for Return of Property	213b
Excerpts from Transcript of Oral Argument on Motion for Return of Property (March 14, 1980)	220b
Excerpts from a Hearing on Continuing the Receivership (January 5, 1979)	225b
Excerpts from Hearing to Clarify Receivership Order (January 8, 1979)	228b
Excerpts from a Hearing on Several Preliminary Motions (January 10, 1979)	230b
Excerpts from Hearing to Confirm Receiver's Appointment (January 12, 1979)	233b
Excerpts from Further Hearing (February 21, 1979)	248b
Last Page of Accounting Firms List of Documents	250b

COMPLAINT [FILED JANUARY 2, 1979]

SUPERIOR COURT
OF THE STATE OF CALIFORNIA
FOR THE COUNTY OF LOS ANGELES

Case No. .....

[TITLE OMITTED]

Plaintiff complains of defendants, and for a first cause of action against them alleges as follows:

First Cause of Action (for Accounting)

1. This action is brought by and on behalf of the People of the State of California, acting on the relation of the individuals named above.

2. Each of the relators is now and at all times pertinent to this action has been a member of the defendant Worldwide Church of God, Inc.; and each has tithed (i.e., given at least ten percent of his net income each year) to the Church for all or most of that time.

3. Defendants Worldwide Church of God, Inc.; Ambassador College, Inc.; and Ambassador International Cultural Foundation, Inc.; are each California corporations, organized and existing exclusively for charitable, religious and educational purposes. All have their principal offices at the same location in the City of Pasadena, County of Los Angeles; they have many officers and directors in common, and are under common control; and they are part of a single charitable, religious and educational organization ("the Church"). All of their funds, property and assets are derived from charitable contributions, and are held in public trust.

4. Plaintiff is informed and believes, and on that basis alleges, that each of the other defendant corporations is

owned or controlled by one or more of the officers or directors of the Church, the College, or the Foundation, including particularly the defendant Stanley R. Rader; and that funds and property contributed to the Church are freely transferred among the Church and the other corporate defendants; and that the unity of record ownership and actual control among the Church and the other corporate defendants, and the course of dealing between them, has been for many years and is now such that for all purposes of this action, it would be unjust and inequitable to recognize any separate existence among them at all. The exact status and constitution of the other corporate defendants, and their precise relationship with the Church, are matters not known to plaintiff at this time, but are peculiarly within the knowledge of the defendants; but plaintiff will ask leave of the Court to amend this Complaint to show their true status and constitution, and the exact nature of their relations with the Church, when the same have been ascertained.

5. All of the individual named defendants are either officers, directors, or full-time employees of the Church or of one or more of the named corporate defendants, and all the acts herein complained of have been done with their knowledge and complicity, and under their supervision.

6. Defendants Herbert W. Armstrong and Stanley R. Rader are and at all times pertinent to this Complaint have been in full and complete control of the Church and all its affairs. Herbert W. Armstrong is and has been ever since the formation of Worldwide Church of God, Inc., Pastor General of the Church, and Stanley R. Rader is Treasurer and General Counsel of the Worldwide Church of God, Inc. and both men are officers and directors of one or more of the named corporate defendants.

7. Plaintiff is informed and believes, and on that basis alleges, that each of the defendants DOE is, and at all times pertinent to this action has been, either the record owner of a substantial interest in, or a director or officer of, one or more of the corporate defendants, or an agent of the other defendants acting with respect to all the acts herein complained of within the course and scope of said agency. The true names and capacities of the said defendants DOE (whether individual, corporate, associate or otherwise) and the true nature of their relationship with the other defendants, is presently unknown to the plaintiff, but is peculiarly within the knowledge of the individual named defendants. Plaintiff will ask leave of the Court to amend this complaint to show the true names and capacities of the defendants DOE, and the true nature of their relationship, when the same have been ascertained.

8. The Church and its officers, and particularly the defendants Armstrong and Rader, are required by law to account to its members for all funds received, expended, or held by the Church. Notwithstanding this duty to account, and notwithstanding the fact that many of its members have frequently requested an accounting, the defendants have failed and refused, and still fail and refuse, to make any such accounting at all.

9. Plaintiff is informed and believes, and on that basis alleges, that between January 1, 1975 and the present date, the named individual defendants, acting in concert with and under the direction of defendants Armstrong and Rader, have been and are siphoning off the property and assets of the Church, and appropriating them to their own personal use and benefit, on a massive scale, amounting to several million dollars per year. Plaintiff is furthermore informed and believes, and therefore alleges, that said siphoning and misappropriation has resulted and continues to result in substantial fiscal deficits from

operations of the Church which would otherwise have an excess of revenues over expenditures.

10. Because the named individual defendants are now, and at all times pertinent to this action have been in full, effective and exclusive control of all the property, assets, records and administrative facilities of the Church; and because they have consistently denied and still presently deny to all members of the Church meaningful access to the records aforesaid, plaintiff has no alternative but to make many of the allegations of this complaint on information and belief. Plaintiff will ask leave of the Court to amend this complaint in all pertinent respects when the particular facts concerning the actions complained of have been ascertained.

Plaintiff complains of defendants, and for a second cause of action against them alleges as follows:—

Second Cause of Action (for Removal of Existing Directors and Appointment of Properly Selected New Directors)

11. Paragraphs 1 through 10 of the First Cause of Action are incorporated by reference into and hereby made a part of this Second Cause of Action.

12. Defendants are required by law to hold regular meetings of the members of the defendant corportions, and to allow the members of said corporations to vote on various matters affecting the governance of the defendant Church, including the election of directors to the boards of directors of said corporations. Each of the defendant corporations is furthermore required to submit certain of its actions to the vote of the Board of Directors before taking such actions, all as provided by law.

13. The defendants have failed and refused, and still fail and refuse to call or hold any elections whatsoever among the members, or to allow the members of the de-

fendant corporations to vote on any matter affecting Church governance of its business or financial affairs whatsoever. Moreover, plaintiff is informed and believes, and therefore alleges, that none of the directors of the aforesaid corporations actually votes on any matters affecting Church governance; but instead merely acquiesces in decisions and instructions made by the defendants Armstrong and Rader.

Plaintiff complains of defendants, and for a third cause of action against them alleges as follows:—

Third Cause of Action (Receiver)

14. Paragraphs 1 through 10 of the First Cause of Action, and Paragraphs 12 and 13 of the Second Cause of Action, are hereby incorporated by reference into and made a part of this Third Cause of Action.

15. Based on limited and sporadic statements issued by defendants to the membership of the Church, plaintiff is informed and believes, and on that basis alleges, that the Church receives approximately $70 million per year in contributions, and that it has a net worth of approximately $80 million. Most of its net worth is held in the form of real estate.

16. Plaintiff is informed and believes, and on that basis alleges, that between January 1, 1975 and the present date, the Church spent and continues to spend at least $1 million more each year than it receives in contributions and, for that reason, has been forced to liquidate some of its holdings in order to defray its current expenditures. All the excess of expenditures over receipts is attributable to the individual defendants' pilfering of the revenues of the Church and their appropriation of its assets to their own personal use and benefit, which pilfering and appropriation continues to this very day on a massive scale. So long as the in-

dividual named defendants, and particularly defendants Herbert W. Armstrong and Stanley R. Rader remain in full, effective and exclusive control of the business affairs of the Church, they alone will continue in the future, as they have in the past, to determine the nature and extent of all its expenditures.

17. Plaintiff is informed and believes, and on that basis alleges: that during the last six months, as part of their program of appropriating the assets of the Church to their own use and in order to facilitate said appropriation, the individual defendants have been liquidating the properties of the Church on a massive scale; and that in Southern California alone, some fifty parcels of property belonging to the Church have been sold in the last six months, many of them at prices well below their market value.

18. Plaintiff is further informed and believes, and on that basis alleges: that one of the largest properties of the Church is a 1600-acre parcel in Big Sandy, Texas, which includes a college campus and associated buildings, and which is worth $30 million; yet the individual defendants have caused the Church to enter into an agreement to sell the aforementioned parcel to a third party for approximately $10 million; and these defendants have attempted to conceal from the members of the Church the true worth of the Big Sandy property, and have instead published false statements, known by them to be false, to the effect that the property aforesaid is worth only about $8 million. All these statements and activities are part of their effort to convert the assets of the Church into a form in which they may be more easily appropriated to the personal use and benefit of the individual defendants.

18. Plaintiff is further informed and believes, and therefore alleges, that the individual named defendants, in an effort to frustrate discovery of their wrongdoing

and to obscure the facts, have caused and are causing the written records of their dealings to be removed from the Pasadena offices of the defendant corporations, and to be shredded and destroyed; and that if said removal and destruction are allowed to continue, it may never be possible to develop a true and complete accounting of the Church finances during the time period complained of.

19. The appointment of a receiver pendente lite is necessary forthwith to prevent the continued appropriation of Church funds and assets to the personal use and benefit of the individual defendants; to halt the imminent and massive selling-off of valuable Church properties at prices well below their market value; and to prevent the further destruction of Church records; and to conduct an independent investigation of claims which the Church may have against the individual named defendants and others, and thereafter to file and pursue such suits and actions on behalf of the Church as may be appropriate.

Plaintiff complains of defendants, and for a Fourth Cause of Action against them, alleges as follows:

Fourth Cause of Action (Injunctive Relief)

20. Paragraphs 1 through 10 of the First Cause of Action, 12 and 13 of the Second Cause of Action, and 15 through 19 of the Third Cause of Action, are hereby incorporated into and made a part of this Fourth Cause of Action.

21. The receiver will require access to the books and records, and to the administrative facilities, of the Church, in order to discharge his duties, and in order to protect and preserve the assets of the Church pendente lite; but the individual named defendants threaten to deny such access to any person other than themselves, and have demonstrated an intention to remove and destroy said books, records, and facilities, rather than to let

any other person see them; and unless enjoined and restrained from doing so by this Court, they will do so, and will not yield up the said assets and records to the receiver.

22. The individual named defendants are engaged in an on-going program of liquidation of Church assets, and have already entered into agreements to sell many of said properties at prices well below their market value; and unless they and those with whom they deal are enjoined and restrained from doing so by this Court, they will sell, transfer, mortgage, and encumber said properties.

WHEREFORE PLAINTIFF PRAYS:

1. For an order requiring defendants to make a full and complete accounting to this Court and to the members of the Church of the affairs of the Worldwide Church of God, Inc., Ambassador College, Inc., Ambassador International Cultural Foundation, Inc., Excelsior Leasing, Inc., Mid-Atlantic Leasing Inc., Wilshire Travel, Inc., Environmental Plastics, Inc., Gateway Publishing, Inc., Worldwide Advertising, Inc., and the accounting firm of Rader, Cornwall and Kessler, from at least January 1, 1975, or such earlier date as may be appropriate, through the date of said accounting.

2. For an order requiring an immediate election of new directors for Worldwide Church of God, Inc., Ambassador College, Inc., and Ambassador International Cultural Foundation, Inc., and requiring all of said new directors to be elected by the members of the Church according to the procedures prescribed by law.

3. For an order appointing a temporary receiver *ex parte*, and a Receiver *pendente lite* to take possession, until further order of this court, of all the property of the defendant corporations aforesaid, and of their books and records, and empowering him to take such actions

as he deems, in the reasonable exercise of his discretion, appropriate to recover property and assets wrongfully taken from the Church, and to prevent the further dissipation of Church property and assets, said power to include without limitation the power to bring lawsuits in the name of the Church or any of its affiliated organizations, and to retain independent accountants, lawyers, and other professional assistants to assist him in the prosecution of such lawsuits.

4. For an injunction restraining the named individual defendants, their agents, employees, and all persons acting in concert with them, from interfering in any way with the actions of said receiver, and requiring them furthermore to yield up to said receiver all the books, records, and administrative facilities of said corporate defendants.

5. For an injunction restraining the named individual defendants, their agents, employees, and all persons acting in concert with them, from selling or mortgaging, or asserting ownership in any other way, over the property or assets of any of the corporate defendants, except as the court-appointed receiver may allow.

6. For costs of suit herein.

7. For such other and different or further relief as to this Court may seem just and proper.

Dated: 1/2/79

EVELLE YOUNGER,
Attorney General

LAWRENCE R. TAPPER,
Deputy Attorney General

By:

/s/ Lawrence R. Tapper
LAWRENCE R. TAPPER

HILLEL CHODOS,
HUGH JOHN GIBSON,
RAFAEL CHODOS,
COHN AND LIFLAND,
PETER PEARLMAN,

By:

/s/ Hillel Chodos
HILLEL CHODOS

Attorneys for Relators

THE *EX PARTE* HEARING TO APPOINT A RECEIVER

REPORTER'S TRANSCRIPT OF PROCEEDINGS
January 2, 1979

SUPERIOR COURT
OF THE STATE OF CALIFORNIA
FOR THE COUNTY OF LOS ANGELES

DEPARTMENT NO. 85
HON. JERRY PACHT, JUDGE

No. C 267 607

THE PEOPLE OF THE STATE OF CALIFORNIA, *ex rel.*,
ALVIN EARL TIMMONS, *et al.*,
Plaintiffs,
vs.
WORLDWIDE CHURCH OF GOD, INC.,
a California Corporation, *et al.*,
Defendants.

PATRICIA A. KUPFERER, CSR
Official Reporter
Cer. No. 1215

[1] Los Angeles, California
Tuesday, January 2, 1979
P.M. Session

(The following proceedings were had in chambers:)

THE COURT: This is the matter of The People of the State of California, and others, versus Worldwide Church of God. Case Number C 26607.

MR. TAPPER: Lawrence R. Tapper for the California Attorney General.

MR. H. CHODOS: Hillel Chodos and Raphael Chodos for the Relators.

MR. GIBSON: Hugh John Gibson for the relators.

JUDGE WEISMAN: Steven S. Weisman.

THE COURT: All right. I have had an opportunity to read the Complaint: I have read the memorandum of points and authorities, quickly; I have read the declarations of Mr. Chodos, Mr. Gibson, Mr. Chapman, Mr. Morgan, Mr. Timmons, and Shirley Timmons.

MR. H. CHODOS: Your Honor, I wanted to interrupt just to state for the record, a copy of the proposed pleadings was furnished to you this morning. The original is in my briefcase. It has not yet been filed, but we are prepared to file it and pay the necessary fee at any moment.

It is just that we did not want a public filing before coming to see you. I spoke to the clerk this morning and told him we would talk about that.

THE COURT: Well, we are going to have to get it filed if I am going to grant you any relief, as I am sure I don't have to tell you, Mr. Chodos.

[2] MR. H. CHODOS: Yes, Your Honor. I just wanted to explain.

THE COURT: What I have read, obviously, are copies of documents which counsel furnished me. I am concerned about the scope of the relief that is sought.

I am concerned about the ex parte nature of the proceedings, and the rather majestic order which would flow from these proceedings without a hearing. I am not unmindful there are charges that dissipation of the properties may occur, and I am also not unmindful of the one cruncher, if you will, which is the proposed sale of the Big Sandy property on January 4th, or the proposed completion.

I have read the declarations pretty carefully. The rest of the matters, and some of the supporting data, obviously, in the length of time afforded to me, I have

barely skimmed through; some of the financial matters which are referred to in one of the declarations—I guess it is Mr. Chapman's declaration—are matters which I have just glanced at; obviously, I haven't digested those in any form.

I would like to be enlightened, perhaps, about how far my writ runs in the first place. Can I really do anything about a real property transaction which is going to close, apparently, in Texas? I don't have anybody before me, as I understand it. I will have somebody before me if I issue this order in due course. Presumably, Mr. Rader or Mr. Herbert Armstrong or somebody will be served.

Let me hear from the Attorney General or from Mr. Chodos, whoever is carrying the ball here.

[3] MR. H. CHODOS: If I can just make a few observations. First of all, I recognize that any request for an ex parte receiver, without notice, has to be viewed against a strong presumption that it is an emergency measure to be used with great caution.

I would suggest to you, however, that at least insofar as pertains to the Worldwide Church of God, Inc., Ambassador College, Inc., and Ambassador International Cultural Foundation, Inc., that the usual principles are not applicable.

All of those corporations are organized and existing under California law, exclusively for charitable, religious and educational purposes.

It is our position that a shorthand way of describing the law applicable to the corporations of that type is that their property always and ultimately rests in the Court's custody, and they are always and ultimately subject to the supervision of the Court on the application of the Attorney General. In effect, there are no private interests.

The Court is not taking something away from somebody or interferring with anyone's private rights. In effect, what we are saying is that there are presently

trustees who have been allowed to manage the charitable fund on a day-to-day basis.

There is reason to believe, as we have shown you, that they have not done their job in a faithful manner. We believe that essentially those trustees serve at the Court's pleasure, and may be replaced with a more trustworthy [4] trustee.

THE COURT: I don't have any quarrel with that up to there, and I think you make a prima facie showing that there may be some serious problems in the administration of this trust.

MR. CHODOS: Now, turning to how far the Court's writ runs. I am inclined to believe that the Court's writ does not run to land outside the State of California.

THE COURT: I learned it only runs halfway across the dining room table, so as my children want to point out to me, let alone past the State line.

So you have got to give me a little jurisdiction and a little power if you want some help.

MR. CHODOS: It does run, however, to all persons within the Court's jurisdiction, and particularly, to charitable trusts which are organizing and existing under the State of California.

In fact, this Court, as I understand it, is the only court that has complete jurisdiction and supervision over the affairs of these three charitable corporations.

Now, it may be that you will appoint a trustee for these funds, Judge Weisman, and that he will then be confronted with the claims of third parties in Texas.

Now, he, after all, will stand only in the shoes of the present trustees. His rights and privileges will be no greater or no less, and he may have to submit to demands by the people if they are meritorious, or litigate them if they are questionable, or resist them if they are not. But [5] he has to do that in the name of and on behalf of the charitable funds and this Court.

Now, the real problem, therefore, I don't know what can be done if the land has cnaged hands by the time we get to it, we may have to sue to rescind in the Texas courts.

It is my understanding that a receiver has, under that statute, the power to sue and be sued in other actions on behalf of the interest he represents.

THE COURT: The order which would be drawn appointing him can specifically grant him that power, and he may have it inherently.

MR. H. CHODOS: That is right. Furthermore, I believe that—Well, let me say, what we are asking here—and it may be that the order—the temporary order perhaps should be more limited in scope than the order to show cause The one thing that is clear to me that you have the power to do is to appoint a receiver for the three charitable corporations. The other corporations we have named are alleged to be fronts, depositories of charitable funds.

We have substantial reason to believe that that is true and that we can prove it. But it may be that the taking control of those entities and the interference with those entities ought to be postponed until after a hearing has been held.

But for the charitable corporations themselves, we have a substantial chance of emmence dissipation in the immediate future. And in the nature of things, we believe [6] that it would be much more costly, and ultimately, therefore, an unnecessary drain on the charitable trusts to put the receiver in the position of having to rescind a consummated transaction when he might be able to avoid an unconsummated transaction.

Now, I will point out to the Court, too, that if the transaction is not consummated, the chances are good of litigating this matter in California. If they are consummated, the chances are good we will have to litigate it in Texas.

My experience with Texas law is that they have a somewhat different view of the applicable principles than the California courts, and it takes a little while getting acclimated to it.

Now, I don't know if I have answered Your Honor's question about the scope of your writ and the extent of your jurisdiction.

THE COURT: What about the ex parte nature? I read your moving papers, I read your moving declaration, and someone seems to be alarmed at the potential for file shredding or the destruction of documents or records.

MR. TAPPER: Maybe I could dispel that, Judge.

THE COURT: Go ahead.

MR. TAPPER: I am reminded of the words of Shirley Hufstedler when she was in the Court of Appeal, and it was no more certain as to the plaintiff's rights in terms of their being finally defined as it is here, but there is strong reason to be suspicious, and she said, "What the defendant [7] suggest is that the plaintiff should take a taste to determine whether it is a mushroom or a toadstool." And that is essentially what we are faced with here.

Nobody can tell Your Honor how many pieces of paper are being shredded per minute, per hour, per day.

THE COURT: If any.

MR. TAPPER: If any. We do believe that they are being shredded. We don't believe that the information that there is a shredder in his offices is fictional; but by the same token, we haven't seen the shredder.

THE COURT: There can also be legitimate uses for them, although maybe we ought to tell the city attorney that.

Go ahead.

MR. TAPPER: I suppose. But the records we are talking about are public records, just as the assets that Hillel, in describing the charitable organizations, are also public assets.

I share the thought that perhaps it will be premature to use these remedies ex parte as to non-charitable entities at this time, but I am very concerned about the Big Sandy transaction. I am very concerned about the evidence that has been presented to us of some fifty—I haven't seen all the deeds—but it is alleged that there have been fifty real estate transactions in a period of five to six months. That works out to ten per month. So if it is just merely on an averaging basis, there is a virtual certainty that there are going to be some more pieces of real estate that are going to change hands, and that, again, is going [8] to be even further litigation trying to recover the property.

THE COURT: These are pieces which, as I recall it, have stood in the name of one or more of the charitable corporations and being deeded out to individuals.

MR. TAPPER: That is correct. Ambassador College, for example. I believe that the case of People versus Christ's Church of the Golden Rule is practically on all fours.

I think that what has been presented to us is sufficiently strong that we must take immediate action.

A great deal of effort went into bringing this to Your Honor as early as it has been brought to you, and I would urge the Court to favorably consider the relief, at least as to the charitable entities.

MR. CHODOS: May I add just one thing. People versus Christ's Church of the Golden Rule deals—we quoted extensively from it—emphasizes the difficulties of a plaintiff in the position of the Attorney General or the Relators where information has been withheld. It emphasizes the discretion of the court to grant ex parte relief where the circumstances justify it. But, furthermore, and most important, I want to emphasize that the usual impediment to granting ex parte relief does not exist here.

Normally, in a private property situation where you grant ex parte relief, the court is put in a position of attempting to interfere with someone's rights, and to stop people from doing things that they would otherwise do with their own property, and maybe create great havoc to private interests that have not had an opportunity to be [9] heard, and that is the power that should be exercised with great skepticism and great reservation.

In this case, however, there are no private transactions. In other words, if you appoint an ex parte receiver, all that is going to happen is that he is going to take custody of the records and preserve them; take custody of the money and preserve it; take custody of the causes of action and preserve that; and he is going to be prepared to come back into this court, at any time starting tomorrow morning, that you want to make returnable, or that counsel wants to come in here for an ex parte conference, to vacate the order and talk about it.

But in the interim, what I am really trying to emphasize to you is there is no one whose interests can be hurt. Only protection can be granted by an ex parte order, and there is—

THE COURT: Well, we could hurt some interests, according to the thrust of what you have spelled out. They would be interests, if the moving papers are accurate; inappropriately acquired. So we are mindful of that.

Does the record reflect that Judge Weisman is here with us, Patty?

THE REPORTER: Yes, Your Honor.

THE COURT: It has been urged that this bowl of spiders be put in your custody. Before I get involved in orders or making orders or granting relief, are you willing to become involved in it?

JUDGE WEISMAN: Yes, I am.

[10] THE COURT: As a receiver?

JUDGE WEISMAN: Yes, I am.

THE COURT: And you see no impediment that would prevent you from acting, if you were thrust—

JUDGE WEISMAN: The only impediment I know of is my polio, and that won't prevent me—

THE COURT: You have managed pretty well with that for some time.

I will tell you on the record that I am a little queasy about putting somebody in charge, but I think you have a showing which warrants some relief.

I would like to discuss with counsel the temporary—proposed temporary restraining order, or order to show cause, because I think we might want to chop it up a little bit in line with the suggestions that have been made about limiting the order to the charitable corporations.

I am addressing your attention to the proposed order appointing temporary receiver, temporary restraining order and order to show cause re receiver and injunction.

MR. H. CHODOS: Would you like to have original order just to work on?

THE COURT: Might as well work from a copy in case we change things. And we are going to want you to file as soon as we get this—

MR. H. CHODOS: I am prepared to do so.

THE COURT: Let's go through it with you. Let me see your Complaint, because it names the defendants. And I take it you want this order to run, so far as the order [11] to show cause is concerned, against everybody; is that right?

MR. H. CHODOS: Yes, Your Honor.

THE COURT: In line with the suggestion about limiting to the charitable corporations, I am looking at Paragraph, Sub-B, on Page 2, at Line 17. Would it be necessary, with that thought in mind, to have limiting language at that point?

MR. H. CHODOS: Well, it seems to me, Your Honor, that at the hearing on the order to show cause, after

there is notice, the Court has power to extend the injunction to all the defendants, and that the proper time to limit it is when the responsive showing is made.

THE COURT: All right. In other words, what you are really saying is that the temporary restraining order is the only one which should be limited, the proposed temporary restraining order.

MR. H. CHODOS: That is our position.

THE COURT: All right. I have read your bond argument. Are you suggesting that despite what is contained on Page 3, at Line 5, that no bond is required at all?

MR. H. CHODOS: No, Your Honor. We believe that no bond— In a receiver action, there are two bonds. One is from the plaintiff—

THE COURT: You are talking about the receiver's bond?

MR. H. CHODOS: This is the receiver's bond, and I believe Judge Weisman must post bond.

THE COURT: All right. What would you suggest that bond ought to be?

[12] MR. H. CHODOS: Well, the only thing I can say is this, Your Honor. There are $80 million of assets, which would be in Judge Weisman's charge. It is my view that you could put $80 million in crumpled $20 bills in Judge Weisman's briefcase and not worry about it.

THE COURT: Ruin his briefcase.

MR. H. CHODOS: Yes. It would be, in my opinion —I have spoken to a bonding agent who is prepared to provide a bond, within limits, and he tells me the likely premium is one percent of the face amount. The premium, of course, is a charge on the charitable trust.

I believe, under those circumstances, a relatively nominal bond for a temporary period is appropriate. I would say $1,000, or $10,000, whatever Your Honor considers nominal under those circumstances.

THE COURT: I am still impressed with $10,000, but I am going to make it a $10,000 bond, and that will, of course, be subject to an argument if this matter comes back to me.

Now, we will need to redraw, it seems to me, Paragraph 3, or will we?

I will hear from you about that.

MR. H. CHODOS: I think in view of Your Honor's remark, all that would need to be done is starting with the words "Wilshire Travel" on Line 13, and extending down to the words "in California" on Line 17, that if that passage would be deleted, that this would conform to what you have indicated.

THE COURT: That sounds like it would be appropriate, and I am physically deleting on the copy those portions which [13] you suggest be deleted.

What is the soonest you believe you can get these people served?

MR. H. CHODOS: I am hopeful, Your Honor, making an order today, that we could have these people served by noon tomorrow. Most of them, I think, will not be evading service.

THE COURT: I will make it by January 4th, at 5:00 PM. Give you a little more time. So far as the return date, that is up to Ms. Follings outside.

Let me say this: Somebody is going to have a career as a judicial officer in this. I am not sure that the limitations which are imposed on this department by the workload, which I just looked at for the next calendar, will permit this matter to remain here.

I think you are going to need somebody in the nature of an all-purpose judge to take hold of this. Now, whether Judge Schauer will do that, whether he will want me to refer it ultimately to Judge Weil to be handled as an overflow matter, I am not sure.

I doubt very much, foreseeing what inevitably has to happen in this case, whether it can be comfortably accommodated on the 8th floor, and allow us to get any

other work done, unless everybody caves in, agrees or elects a new board, or something remarkable will happen.

I think what I have indicated is what I will sign as soon as the appropriately filed papers are presented to me. And we'll set down your order, appoint Judge Weisman [14] temporarily, pending the return date.

MR. TAPPER: Do you want to pick a date? Pages 1 or 2.

MR. H. CHODOS: He wants Marjorie to do that.

THE COURT: I don't know anything about what our calendar problems are. I have a couple of personal calendar problems which invole—one of which involves the 26th of January, at least at current rating.

MR. H. CHODOS: The statute requires within ten days.

THE COURT: Is it ten? Let's get Marge and get the latest date we can give you. You better get it filed.

MR. H. CHODOS: Yes. If Your Honor please, if we can be excused, I'll go out to your table outside and prepare our papers, get the bond and make all those arrangements.

THE COURT: I will be here, I am sorry to say.

(Proceedings concluded.)

STATE OF CALIFORNIA)
)
COUNTY OF LOS ANGELES)

I, PATRICIA A. KUPFERER, CSR, an Official Reporter of the Superior Court of the State of California, for the County of Los Angeles, do hereby certify that the foregoing 14 pages comprise a full, true and correct transcript of the proceedings held in the within-entitled cause on January 2, 1979, in Department 85 of the Superior Court, before the Hon. Jerry Pacht, Judge.

Dated this 6th day of February, 1979.

Official Reporter, Cer. No. 1215

EX PARTE APPLICATION FOR TEMPORARY RESTRAINING ORDER AND ORDER TO SHOW CAUSE RE RECEIVER AND INJUNCTION PENDENTE LITE—
Filed January 2, 1979

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SUPERIOR COURT
OF THE STATE OF CALIFORNIA
FOR THE COUNTY OF LOS ANGELES

No. C 267607

THE PEOPLE OF THE STATE OF CALIFORNIA, *ex rel.*
ALVIN EARL TIMMONS, *et al.*,
Plaintiff,

vs.

WORLDWIDE CHURCH OF GOD, INC.,
a California Corporation, *et al.*,
Defendants.

TO THE ABOVE-ENTITLED COURT:

The People of the State of California, plaintiff herein, acting by and through the Attorney General upon the relation of Alvin Earl Timmons, Shirley A. Timmons, David R. Morgan, John Tuit, Paula Tuit, and Ronald Quinlan, hereby request this Court to make the following orders forthwith on a ex parte basis, and without notice to the defendants herein or any of them:

1. An order to show cause, directed to the defendants and each of them, directing them to appear before this Court at a time and place to be fixed by the Court, then and there to show cause why:

(a) The Honorable Steven S. Weisman, a retired Judge of this Court, should not be appointed as receiver *pendente lite*, to take possession, until further order of this Court, of all of the property of defendants Worldwide Church of God, Inc. and its associated corporations (as identified in the complaint on file herein), and of all their books and records; and empowering him to take such actions as he deems, in the reasonable exercise of his discretion, appropriate to recover property or assets wrongfully taken from the Church, and to prevent the further dissipation of Church property and assets, said power to include without limitation the power to bring lawsuits in the name of the Church or any of its affiliated organizations, and to retain independent accountants, lawyers, and other professional assistants to assist him the prosecution of such lawsuits;

(b) An injunction *pendente lite* should not issue, restraining the defendants, their agents, employees, and all persons acting in concert with them, during the pendency of the action, from interfering in any way with the actions of said receiver, and from withholding from him any of the funds, assets, books, records, or administrative facilities of the corporate defendants; and fur-

ther enjoining and restraining the individual defendants and each of them, their agents, employees, and all persons acting in concert with them from selling, mortgaging, transferring, disposing, or asserting ownership in any other way, over the property or assets of any of the corporate defendants, except with the written consent of the receiver or with leave of Court.

2. For an order appointing the said Steven S. Weisman forthwith as a temporary receiver, to act pending the hearing on said order to show cause, and to take possession forthwith of all of the funds, assets, and property, and all of the books and records, of the corporate defendants named in the complaint on file herein, viz: Worldwide Church of God, Inc., a California corporation; Ambassador College, Inc., a California corporation; Ambassador International Cultural Foundation, Inc., a California corporation; Wilshire Travel, Inc., a California corporation; Worldwide Advertising, Inc., a California corporation; Gateway Publishing, Inc., a California corporation; and Environmental Plastics, Inc., a Texas corporation qualified to do business in California; and empowering said receiver to take such actions pending the hearing and said order to show cause as he deems, in the reasonable exercise of his discretion, appropriate to preserve and protect the funds and assets of the Church and its associated corporations from dissipation, misappropriation, or other improper diversion; and

3. For a temporary restraining order, enjoining and restraining the defendants and each of them, and their agents, employees, and all persons acting in concert with them, pending a hearing on said order to show cause, from interfering with or obstructing the receiver in the discharge of his duties, or from withholding from him any of the funds, assets, properties, books, or records of the said corporations; and further temporarily restraining said defendants and each of them, and their agents,

employees, and persons acting in concert with them, from selling, mortgaging, encumbering, or otherwise disposing of any of the assets of the Church or its associated corporations.

This application is based on the verified complaint on file herein; and on the Memorandum of Points and Authorities * and Declarations being filed concurrently herewith.

Dated: January 2, 1979

EVELLE YOUNGER
Attorney General

LAWRENCE R. TAPPER,
Deputy Attorney General

By: /s/ Lawrence R. Tapper
LAWRENCE R. TAPPER

HILLEL CHODOS
HUGH JOHN GIBSON
RAFAEL CHODOS
COHN AND LIFLAND
PETER PEARLMAN

By: /s/ Hillel Chodos
HILLEL CHODOS

Attorneys for Relators

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* Memorandum of Points and Authorities omitted from this appendix.

DECLARATION OF HILLEL CHODOS

I, HILLEL CHODOS, hereby declare as follows:

1. I am one of the attorneys for the relators in the within action. I make this declaration in support of the ex parte application for appointment of a temporary receiver, temporary restraining order, and order to show cause.

I have personally discussed this matter with the Hon. Steven S. Weisman, a retired judge of this court, in order to ascertain whether he would be willing and able to act as receiver if appointed by this Court. Judge Weisman has told me that he is willing and able to do so.

2. I have practiced law for approximately seventeen years. I specialize in business and corporate litigation and in trial in appellate courts. Much of my practice relates to cases of business and commercial fraud involving large amounts of money and large corporate enterprises.

3. I have personally interviewed all of the declarants whose declarations are filed in support of the within application. I have also reviewed the materials they have furnished to me. These materials strongly suggest that the Church may have substantial claims against the individual defendants and other persons for improper diversion and misappropriation of church funds. They also suggest strongly that the Church has ample legal grounds for avoiding the consummation of a proposed sale of its major asset in Big Sandy, Texas. However, based on my experience in litigation, it is my opinion that the ascertainment and pursuit of those claims will be greatly facilitated if the records of the Church are fully preserved and available to the counsel charged with doing so; and that their ascertainment and prosecution will be rendered much more difficult if any substantial segment

of the records has been destroyed. It is therefore of the utmost importance to the ultimate enforcement and protection of the charitable trust that whatever records remain in existence be preserved from removal or destruction.

4. It now appears that a proposed sale of the Big Sandy facility will close on January 4, unless orders are made which will prevent the closing. Based on my experience in business litigation, including many real estate matters, it is my opinion that the legal difficulty and expense involved in setting aside a consummated sale would be much greater than that involved in avoiding the consummation of the transaction before it is complete.

I declare under penalty of perjury that the foregoing is true and correct.

Executed this 28th day of December in Beverly Hills, California.

/s/ Hillel Chodos
HILLEL CHODOS

DECLARATION OF HUGH JOHN GIBSON

I, HUGH JOHN GIBSON, declare as follows:

1. I am one of the attorneys for plaintiff and relators in the within action. I make this declaration in support of the plaintiffs' application for appointment of a receiver and a temporary restraining order, and for a receiver and an injunction pendente lite.

2. During approximately the last two weeks, I have been furnished by certain of the relators with various written material and information pertaining to the Worldwide Church of God, Inc. and its associated corporations. I have reviewed and analysed those materials, and have pursued certain additional inquiries and investigations. The following facts appear (among numerous other facts) in said materials and are pertinent to this proceeding; and may be briefly summarized for the Court's convenience as follows.

3. Attached hereto, marked Exhibit A, is a copy of the "Pastor's Report" published by the Worldwide Church of God on August 14, 1978. At pages 4-7, the report contains a personal message from Stanley Rader. In it he explains he is employed by the Church under an arrangement made between him and Herbert W. Armstrong that "whatever it took to meet my financial requirements would be provided." He acknowledges that he arranged for the lease-financing of a Falcon aircraft for use by Church executives; that "after careful consideration and much discussion with all parties, it was agreed that the financial arrangements were equitable for all parties and that my participation would not be in conflict with the Church or any professional responsibilities that I might have had as a result of my relationship to the Work as a lawyer and as an advisor to Mr. Armstrong;" and that the arrangement provides for the Church to indemnify him from any tax loss he might suffer in connection

with it, which indemnification was in the process of being calculated as of the date of the report. Mr. Rader also admits that for many years he was the owner of an advertising agency which handled all of the Church's radio and television time buying activities on a commission basis [Mr. Rader claims in the report that he divested himself of any and all interest in the advertising agency in 1975; but as appears more fully below that claim is highly questionable]. Mr. Rader also admits that the Church purchased and maintained a home for him in Beverly Hills [recently sold by him personally for $1,800,000, as explained more fully below]. Mr. Rader claims that all of this remuneration was approved by Herbert W. Armstrong, who allegedly felt and feels that he has been "a servant worthy of his hire."

4. The current edition of Martindale-Hubbell lists Mr. Rader and his law firm, Rader, Helge and Gerson. In addition to the official listing, the directory contains a paid listing for the law firm, setting forth biographical information concerning its members and other information. A copy of this paid listing is attached hereto marked Exhibit B. It lists Mr. Rader as a lawyer and also indicates that he is a certified public accountant. Among the representative clients of the law firm are included Ambassador College, Worldwide Church of God, Ambassador International Cultural Foundation, and Worldwide Advertising, Inc. Worldwide Advertising is the advertising firm Mr. Rader formed to handle the Church's time buying programs, and in which he allegedly divested himself of any interest in 1975.

5. A review of current telephone directories reveals that Mr. Rader maintains law offices at 10100 Santa Monica Boulevard, telephone number (213) 552-1717. Worldwide Advertising, Inc. is listed in the telephone directory at the same address and phone number. Also listed at the same address and phone number are Henry

F. Cornwall, C.P.A. and Gateway Publishing, Inc. The accounting firm of Rader, Cornwall and Kessler, and W. Jack Kessler, C.P.A., are listed with offices at 10100 Santa Monica Boulevard and a telephone number of 553-6958.

6. Attached hereto marked Exhibit C, is a Dun & Bradstreet report on the Worldwide Church of God, Inc., dated July 18, 1978. This report lists Herbert W. Armstrong as president; Stanley R. Rader as treasurer; and Ralph Helge (Rader's law partner) as secretary; and states that the three officers are the directors. It also states that Armstrong, Rader and Helge hold identical offices in Ambassador College, Inc.

7. Attached hereto, marked Exhibit D, is a Dun & Bradstreet report dated September 28, 1978 on Ambassador International Cultural Foundation, Inc. Messrs. Armstrong, Rader and Helge are listed as the president, executive vice president and secretary; and Henry Cornwall (Rader's other accounting partner) is treasurer.

8. I have examined the "Pastor General Department, Report of Expenditures" for July 1, 1975 through June 30, 1976, which is attached to the Declaration of Mr. Chapman as Exhibit B. This report lists a total of $2,031,643 expenditures by the Church during this period, consisting principally of items characterised as "travel and lodging" [$889,485] and "public relations" [$819,346]. The itemized breakdown shows repeated expenditure for luxury items such as meals at Perino's or La Scala, limousine service, and the like. Typical of these items are bills incurred by Rader at Perino's on February 28, 1976 ($272.34) and at La Scala on March 12, March 18 and March 19 ($125.00; $202.71 and $102.18 respectively). Other items which appear repeatedly throughout the itemized list are charges at Hermes in Paris (a luxury store with a branch on Rodeo Drive), Gucci (a similar establishment), Christian Dior, Cartier,

and so on. Another category of items which frequently appears relates to charges to the Church, as executive expenditures by Osamu Gotoh for cameras and accessories: by way of example only, between June and September of 1975, he is listed as having purchased over a dozen cameras and related equipment from various photography stores for over $10,000.

9. In addition to ongoing and enormous expenditures of this character, the report also lists travel expenditures of bizarre and exorbitant amounts. Typical items are:

8/8/75 American Express-Gotoh Hotel Plaza Athenee, Paris (no backup)	$12,416.93
8/31/75 American Express-Gotoh Imperial Hotel, Tokyo (no backup)	$13,735.74
9/12/75 American Express-Gotoh Munich, Germany	$12,504.59
9/11/75 Diners Club-Rader Hotel Plaza Athenee, Paris	$12,049.39

Between October 23 and November 1, 1975, Gotoh made four charges to the Church's American Express card at the Plaza Athenee totaling over $44,000; and a week later, he billed another $8,580.29 to the Church for a stay at the Imperial Hotel in Tokyo. On February 25, 1976, Rader made nine separate charges to the Church's Diners Club card at the Jerusalem Hilton, amounting to more than $10,000.

I have also examined the monthly executive expense analysis of March 3, 1978, attached to the Declaration of Mr. Timmons as Exhibit C. This report reveals that the type of expenditure shown in the 1975-1976 report is continuing to more recent times. The analysis includes a bill by Rader at the Plaza Athenee in Paris for $22,571.19; a bill for Henry Cornwall at the Imperial Hotel in Tokyo for $22,925.56; and charges at La Scala ($694.78), Harrod's ($281.98) and the like.

The report for March 3, 1978 also reveals additional major expenditures of significance. During the period reflected by that report, the Church incurred $13,166.90 f(· Rader's home in Beverly Hills, including utilities, property tax, landscaping, expense allowance and mortgage payment. During the same month, the Church incurred an additional $10,591.17 to furnish and maintain Rader's home in Tucson.

10. Despite the fact that the Church paid for the Beverly Hills home, including taxes and maintenance, Rader and his wife held personal title to the property until they sold it in July of 1978 to Erwin and Margo Winkler. A certified copy of the Raders' grant deed to the Winklers is attached hereto marked Exhibit E. The documentary transfer tax is listed as $1,980, computed on the full value of the property conveyed, signifying (at $.55 per $500) a sale price of $1,800,000.

11. Shortly after selling the Beverly Hills home and pocketing the money, Rader and his wife purchased a home in Pasadena from Ambassador College for an apparent purchase price (based on transfer tax) of $225,000. The Church took back a note and trust deed for $152,500 of the purchase price. Certified copies of the grant deed and the deed of trust given back are attached hereto, collectively marked Exhibit F.

I declare under penalty of perjury that the foregoing is true and correct.

Executed this 27th day of December, 1978, at Beverly Hills, California.

/s/ Hugh John Gibson
HUGH JOHN GIBSON

GIBSON A

PASTOR'S REPORT

PUBLISHED BY THE WORLDWIDE CHURCH OF GOD

Vol. 2, No. 31 Pasadena, California August 14, 1978

Where Are We Now In the Panorama of Prophesied World Events?

by Herbert W. Armstrong

The DEATH of Pope Paul VI may trigger a drastic change in world events. This change could plunge the world into the most terrifying crisis ever experienced by man.

But I hasten to add that if this catastropic World War III does explode, that will be the definite ASSURANCE that WORLD PEACE in the utopian WORLD TOMORROW—is imminently to follow.

I would rather picture to our readers a future of WORLD HOPE, than of horrifying world disaster. But we live in a troubled world with unprecedented evils piled mountain-high. And the *trend* is foreboding—not reassuring. It will get *darker* before the DAWN. The important thing is that the DAWN is absolutely *assured* by the living Creator GOD!

Some twenty years ago, before Pope John XXIII was elected, I had wondered if the Pope then being selected by the College of Cardinals would be the one who would propose his good offices to the nations of Europe to achieve political, monetary, and military union. European nations have longed for some sort of UNITY. They want not only economic union, as they have achieved by the "Common Market," they fear the communist hordes

—and especially if the U.S.S.R. and the Peoples Republic of CHINA ever get together.

Until now—since World War II—the Europeans have had to rely on the United States military power to protect them from further encroachments or nuclear attack from the Soviet Union.

Back during the final days of World War II, I was giving a commentary on the war news daily on the World Tomorrow radio program. We came to a point where the final coup de grace was expected hourly to be rendered on Germany by the Allies. But the Western Allies could not inflict that final death-blow until the Russians ended their part of the war in the eastern sector.

Day after day, hour after hour, we waited. But the Russians were in no hurry to END the war. They continued on, until they had taken over Latvia, Estonia and Lithuania—and until the Russian boot had been firmly planted on all Eastern Europe—including Eastern Germany. All these became the "satellite countries." They are spoken of as behind the "Iron Curtain."

All who know communist beliefs, aims and tactics, know that they are committed to waging this war, by propaganda, by infiltration and fifth-column tactics, by sabotage and guerilla warfare—and, when necessary, finally by open all-out nuclear war. The Soviet Union maintains a very huge standing army. The Soviet Union competes on a virtual parity with the U.S.A., as the world's two superpowers in military strength.

And the Europeans are *right on their border.* They know how communism did prove the "domino theory" correct in Viet Nam. They not only continued on from North Viet Nam to conquer South Viet Nam—even with full U.S.A. participation with its military force—but then quickly Cambodia and Laos fell. And, next in the

"domino falldown" is to come Thailand, Burma, Malasia. Singapore a few years ago successfully stopped a threatened communist take-over—but now they are in the "domino" orbit.

The Europeans are far more disturbed about their safety in relying on United States military power to protect them than Americans realize! The United States is *not* loved in Europe. European confidence in U.S. protection against their next-door communist neighbor has been lessening and lessening.

EUROPEANS WANT THEIR OWN UNITED MILITARY POWER! They know that a political union of Europe would produce a THIRD MAJOR WORLD POWER, as strong as either the U.S. or the U.S.S.R.—*possibly stronger!*

They have made a real effort toward union, in the Common Market. It has made them economically strong. United they could become stronger economically than the United States. The dollar continues dropping in European and Japanese markets—and especially the German MARK has soared stronger and stronger!

But they well know there is but ONE POSSIBILITY of union in Europe—and that is through the Vatican.

Two leaders in Europe produced, a few years ago, two different plans for union. The former Archduke Otto von Hapsburg of Austria, and the "strong man of Europe," Dr. Franz-Josef Strauss of Munich. I know the latter well. He has been a dinner guest in my home.

Five years ago I felt, personally, that the more likely plan that might come to fruition was that of the former Archduke of Hapsburg, but the most likely man to HEAD such a union was Franz-Josef Strauss. However, we all become a year older every year, and there has been so much delay that a younger man may now head up such a European union.

As I said before, when Pope John XXIII was in process of election, I felt that the Pope elected might be the one who would make available his good offices to help political leaders of Europe bring about their hoped for union. But at once it became evident that Pope John had other ideas. He started the Ecumenical Movement, to bring about a different kind of union—a Church union between Protestants, Eastern Orthodox Catholics, and the Roman Catholics.

Then fifteen years ago, I thought Pope Paul might be the one to lead in this European political union. But the resurrection of the old "Holy Roman Empire" was again delayed. Pope Paul continued with Pope John's ecumenical union project. But that was not to be accomplished.

Few realize it, but GOD ALMIGHTY is the one with power to make and unmake nations and kingdoms. God *allows* many things. He has *allowed* Satan to continue for the entire 6,000 years during which, on Adam's choice, God *sentenced* the whole world—except such as God for special service should call—to be cut off from God.

And sometimes God *delays*—holds up—impending events which He has foretold. In the seventh chapter of Revelation, in order of *time sequence* of prophesied events, the time had come for the seven "trumpet" plagues. But, in this "history-in-advance" account, God is shown *delaying* these plagues until the sealing of the 144,000, and another innumerable multitude.

On the other hand, God reserves the prerogative to *speed up* events when His purpose requires. And we may well be at the very time of this prophecy now: "For He [God] will finish the work, and *cut it short* in righteousness; because a *short work* will the Lord make upon the earth" (Rom. 9:28).

It has been, these past fifteen years, appearing that God was *holding up* world events that are prophesied to

come—delaying them—to allow time for CHRIST'S GOSPEL MESSAGE to be delivered over the entire world. As in Matthew 24:14, "This gospel of the kingdom shall be preached in all the world for a witness unto all nations, and then shall the end [of the present, evil world] come."

But during Pope Paul's reign the Roman Catholic Church ran into unprecedented strife-torn troubles from *within*. Many priests were starting a liberal movement. Quite a number were marrying, contrary to Catholic law. Many nums were marrying. Probably 90% to 98% (there are estimates only, and they vary) of the Catholic laity neglected completely to follow the traditional church doctrine that the sexual union, even in marriage, must be solely for procreation—and any other use is decreed sin, even though venial.

Also, Pope Paul faced at the opposite extreme a power group of Cardinals and Bishops and priests, who stood unalterably for traditional conservative Catholic tradition. Pope Paul walked the tight-rope, but did manage to hold the church together, though torn within by dissent and opposing power struggles.

What kind of Pope will the College of Cardinals elect *now?* (This is written prior to that election). Some Cardinals and Bishops are saying they hope it will be another middle-of-the-roader like Paul—but there seems agreement that is not likely.

What does seem more likely to me, as an observer and one who understands what is prophesied, is that in the privacy of the locked-in Sistine Chapel, there will be sharp contention—a heated power struggle from both liberal and conservative camps. It will threaten to split the church right down the middle. Neither side will, in the first few days, give ground.

Then what seems prophetically likely, is that a strong conservative leader will suggest a solution to save the

church. Let the Vatican take the lead *in uniting the nations of Europe* into a political UNION.

Two Popes have failed to achieve ecumenical *religious* union. Why not now turn to lead in POLITICAL UNION, *on condition that* the resurrected "Holy Roman Empire" be a UNION OF CHURCH AND STATE!

A political union, with a common monetary currency—in all probability the German MARK—with a common MILITARY FORCE to protect not only political Europe but also Catholicism against encroaching COMMUNISM! Communism is perhaps a bigger threat to Catholicism than to political Europe.

But also, this political union will put the Catholic Church right back in the saddle as it was from 554 to 1814—with the power of police and military to enforce its decrees!

At one bold stroke, this would solidify the Roman Catholic Church and its strife from within, protect it from communist encroachment, and elevate it to a position of pinnacle POWER, heading what may well become the GREATEST POLITICAL AND MILITARY POWER ON EARTH!

Of course the liberals will object to this *enforcement* of the Catholic faith, if it is to enforce the traditional conservative doctrines. The conservative Cardinals may give some ground. This meeting of the College of Catholic Cardinals *may emerge with a slightly changed Catholic doctrine*—but the traditional conservatism will probably carry the balance of power, in what emerges from this Cardinal Congress.

The meeting of the Catholic College of Cardinals in the Sistine Chapel at the Vatican may well prove to be a WORLD-SHAKING EVENT—the most important world event since World War II!

In the parorama of prophesied world events, the *next* prophesied event *IS* the restoration of the "Holy Roman Empire" as a new "United States of Europe!"

After that—WHAT?

The update of the free booklet *United States and Britain in Prophecy,"* contains the eye-opening and supremely TIMELY ANSWER!

(*Editor's Note*: Since the preceding Personal is to appear in the December PLAIN TRUTH, Mr. Armstrong wanted the ministry to have advance opportunity to read it.)

* * * *

PERSONAL FROM STANLEY R. RADER

There has been a systematic effort to destroy the reputations of Mr. Herbert W. Armstrong and those closest to him. This effort was spearheaded by Garner Ted Armstrong, but aided and abetted by those seeking favor with him. Mr. Armstrong has written and spoken about this during the past few months, and I am certain that you will recall similar efforts on his part to correct the problem during the past several years.

Although my *record of performance* is well known and well documented, there has nonetheless been a conspiracy to place a *cloud* over it, and to impune my *character*, my *reputation* and my professional *integrity*. My financial arrangements with the Church, matters which are of record and known to all parties with the right to know them, have been falsely distorted and made to appear wrongful. Accordingly, I am taking this opportunity to share the record with you in order to put to rest once and for all the speculations and misapprehensions in this area.

When I first met Mr. Armstrong the Work was very small—the total gross revenues from all sources was less than $800,000 annually. Mr. Armstrong soon learned

that he could *rely* on me to get *problems* solved—problems that were not being solved by others for whatever reasons. He asked me to represent the Work on a retainer basis. We agreed that the Work would prosper, and in time I would be compensated in accordance with the scriptural principle that *"a servant is worthy of his hire."* I had great faith in the Work and in Mr. Armstrong and I threw myself into my responsibilities with the zeal and energy necessary to get the job done—with little regard to my compensation.

By 1969, I had helped Mr. Armstrong in many ways and we had come to love one another very much. We had a very special relationship which I shall always cherish as will my wife and my children. I was still very successful on two other fronts—in my law practice and in my public accounting practice. At that time, however, Mr. Armstrong and Mr. Portune asked me to come into the Work *"a little more"* by giving up all other professional activities that required my own commitment of time and energy. We agreed and, from that time forward, I devoted all my time, talent and energy to Mr. Armstrong and the Work. We agreed that whatever it took to meet my financial requirements would be provided.

Prior to 1969 the only financial dealings that I had with the Work were for the payment of my professional services, with one exception. At Mr. Armstrong's specific request in 1967, I managed to arrange for the financing of the first Falcon aircraft after all other attempts to do so by Mr. Portune and his colleagues in the business office had been unsuccessful. The only way that I was able to provide the financing for the completion of the purchase of the falcon from Pan American Airways was to arrange a tripartite agreement between Mid-Atlantic Leasing, Pan American Airways and the Church. Mid-Atlantic Leasing was a partnership which was formed for the transaction. The partnership was willing to act

as the lessor *if* it would be guaranteed certain *tax shelter benefits.* Furthermore, since it was impossible for a partnership to be assured of the Church's credit-worthiness, the partnership required that 1) I take part in the transaction and that 2) I indemnify each of the other partners in the event of the Church's default in any material respect.

After careful consideration and much discussion with all parties, it was agreed that the financial arrangements were equitable for all parties and that my participation would not be in conflict with the Church or any professional responsibilities that I might have had as a result of my relationship to the Work as a lawyer and as an advisor to Mr. Armstrong.

At that time, it was also clearly foreseeable that at the termination of the lease the provisions of the tax law would result in a definite tax loss for me. The Church agreed to indemnify me from such loss if, in fact, it were to occur. In July 1977, the lease was terminated, but well in advance of the termination date provided for in the lease agreement. Accordingly, I am now in the process of calculating the actual economic loss that I have suffered as a result of the transaction that began in 1967.

In the fall of 1969, Mr. Armstrong decided to terminate the services of his advertising agency, M. B. Scott, Inc., and he determined that it would be in the best interest of the Work that the time-buying function be transferred to an agency that would be *more* under the control of the Work. Mr. Armstrong and Mr. Portune were both aware of my vast background and experience in the advertising field as a result of my contact over the years with Mr. Scott and other advertising agencies, as well as my broad overview of the entire communications field as a result of my law practice. Hence I was asked to form an Advertising Agency and to limit its activities to representation of the Work.

From the late fall of 1969 until March 1975 when I was baptized, I was the president of Worldwide Advertising Inc., although several years prior to that time I had delegated away most of the day-by-day operation. During the years 1969 through 1975, copies of the Worldwide Advertising income tax returns were made available to Mr. Portune and my remunneration to Worldwide Advertising was, of course, included as an important item on those tax returns.

In 1975, upon my baptism, and of course after becoming a director and an officer of the church and the college, it was necessary for me to divest myself of any and all interest in Worldwide Advertising.

Prior to 1971, I never lived in a faculty or college home. Although Mr. Armstrong and others thought it would be better for me to live in the Pasadena area, my wife was unwilling to make the move from Beverly Hills and hence we did not. In 1971, however, it became clear to Mr. Armstrong, to Mr. Portune and to me that there would be benefits of a substantial nature to the Work if I were to be able to undertake the responsibility of seeing to the needs of the very important overseas visitors that were coming to California at Mr. Armstrong's invitation, and also to maintain a residence that would lend itself to the type of formal and large scale receptions also necessary to fulfill the various responsibilities of the Work as a result of its ever-increasing activities throughout the World.

Accordingly, a more appropriate home was found in Beverly Hills that was, in Mr. Armstrong's opinion, the perfect residence for such activities. We did not feel, however, that it would be possible for me to live in such a residence on a tax-free basis as did our ministers and faculty members. Hence, we agreed that I would purchase the home. Financing would be arranged with the

help of the Church and my remuneration would be adequate to cover the increased costs.

For many, many years Mr. Armstrong has stated on more than one occasion that I am the highest-paid individual in the Church. This fact is well known to responsible persons at Headquarters. Whether I should be the most highly-paid person in the Work, of course, is something for Mr. Armstrong, as Christ's apostle, to decide. I do not feel, however, that I should be embarrassed that Mr. Armstrong has felt that I have been "a servant worthy of his hire."

I have had no other financial dealings with the Work and I have never been involved as a recipient directly or indirectly of any favor, financial or otherwise, from any person or institution that has had dealings with the Work. My reputation in the community is without blemish and I intend to keep it that way.

I love the Work, I love the brethren. I am a dedicated and loyal servant of the living God and I would hope to be able to serve God, Jesus Christ, the Work and the brethren as well as Mr. Armstrong for many years to come. However, as I have told Mr. Armstrong repeatedly over the years, "Perhaps it is time for me to leave the scene for the benefit of the Work." I am still willing, as he well knows, to make that move if it would be in the best interest of the Work. But, in the past and in the present, Mr. Armstrong insists that this would not be the case and that he needs me.

I hope that I shall hear from you if there are any questions that I have left unanswered that may be in your minds or, if by communicating here today with you so openly, I raise questions that were not there before.

With Christian love,
Stan Rader

MINISTERIAL BUDGET UPDATE The 1978-79 budget allows for several new programs that should be brought to your attention. Also, we have a comment or two on regular budget items.

Bible Study Hall Rent: $100,000 was included in the budget for the rental of halls for local Bible Studies. This amount isn't sufficient for every church to have a Bible Study every week, but we feel it is enough for each church to have 12 Bible Studies throughout the year. Those who want Bible Studies can now go ahead and start them, keeping the limitation we mentioned in mind. Some may want to schedule two series of studies of six weeks each or have one study each month.

Office Equipment: Approval was given for the purchase of some office equipment for the field. We have sufficient to acquire 25 each of desks, chairs, files, typewriters and calculators, plus 50 tape recorders and 20 telephone-answering devices. Obviously, this is not enough to cover all men in the field, so we will have to set up a priority system in which those men with the longest seniority will receive priority, then, after that, those with the most serious need. Therefore, anyone who has a need for one of the above-mentioned items should let us know as soon as possible. Please do not purchase anything locally without specific approval.

Tuition Expenses: We will reimburse any of you who want to take classes for one-half your tuition expense up to $150 a year for job-oriented classes that are successfully completed for credit. If it appears that the demand for tuition reimbursement is not as great as anticipated, we may give reimbursement for more than one-half your actual expense. Reimbursement will only be given for classes taken during the 1978-79 fiscal year. If the class ended prior to July, 1978, it will not qualify for reimbursement. Please seek reimbursement via a general disbursement voucher rather than making either tuition or books an expense item.

Books: Budget was approved to allow each field minister to purchase $30 in books that are immediately useable for theological and pastoral studies. Again, this applies only to books purchased during the 1978-79 fiscal year and not those purchased before July, 1978.

Public Bible Lectures: A small amount ($5000) was included to help those men who would like to hold public Bible lectures, but do not have enough in the way of local funds to meet all the expenses for mailings and hall rental.

Sabbath Hall Rental: The Sabbath hall rental category received a 12.5% ($236,000) increase for the 1978-79 fiscal year. Part of the reason for this large increase is that inflation has contributed to substantial increases in hall rentals over the last year, and we are anticipating this trend to continue. The need still exists to find the best hall rental rate available for an acceptable hall. No money was included in the budget for the rental of extra rooms for Y.E.S. programs.

Telephone Expense: The amount budgeted for telephone expense was increased by $11,000 over last year's level of useage. Over the past few months, we have had a rather substantial increase in telephone expense; however, if any of this $11,000 is left once the current crisis useage drops back to normal, we will be able to allow increases in telephone expense for those who feel they can profitably use the telephone in place of a certain amount of driving.

Dissident Mail: Mr. Ted Armstrong has mailed a large number of letters to various members across the U.S. Please ask any in your church who may have received a letter to give the envelope to you. We would like for you to forward the envelopes to Ministerial Services.

—Ted Herlofson, Ministerial Services

NOTICE TO ALL PASTORS: Please read the following to your members for their interest:

New WATS Line Greeting The telephone operators in the WATS (Wide Area Telephone Service) section of the Mail Processing Center in Pasadena are now greeting callers with the words: "Thank you for calling. May I help you?" If you happened to use the WATS number recently and heard this general greeting, you may have wondered why we are using it. The reason for this simple salutation is primarily to avoid confusion in the minds of many "first-time" callers. Unfortunately some new callers have responded to booklet spot commercials only to hang up immediately when hearing our operators greet them with "The World Tomorrow program." They thought they had gotten the wrong number!

With the recent expansion in media, the WATS number is being used extensively in these nationwide *Modern Romans* spot commercials in addition to many of our other booklets and in the magazines. And so calls to the WATS number come from spot ads, booklet cards, PT newsstand copies, as well as from ministers and members. In answering any given call, the operators have no way of knowing the background of the caller, and so we are using this general, non-specific response which will be appropriate for any media source.

This simple salutation, of course, is not intended to obscure the Church or the "World Tomorrow" program. However, it allows us to respond to a wide range of listeners—some who know a great deal about us and some who know very little. Our goal is to serve *every* response God gives this Work as effectively as we possibly can.

—Richard Rice, Mail Processing Center

EDITORIAL SERVICES UPDATE Several of us in the publishing and editorial areas had some very profitable talks with Frank Brown this week when he was in town on vacation and business. We discussed the new biblical supplement as well as the content of editions in Britain and Black Africa. Present plans call for starting the biblical supplement in the United States and Canada with the December issue (as already mentioned in a previous report). The international editions will begin a month or two later. (Incidentally, we are already working on the U.S. December issue.)

What this decision amounts to is that we will now produce four *self-contained signatures* (16 pages each) of the PT which can be put together in any combination to meet regional needs. U.S. members and co-workers will automatically receive *all four* signatures beginning with the December number. The internationals will put the magazine together in various signature configurations to suit regional needs. For example the French will receive two signatures: 1) The cover signature and 2) the biblical supplement signature. The Spanish have elected not to use the supplement at all at this time.

A few other decisions have been arrived at concerning the editorial area: 1) All bylines, except for Mr. Herbert Armstrong's, will be deleted from future booklets and reprint articles. 2) Mr. Armstrong has changed the title of the *United States and British Commonwealth in Prophecy* to *The United States and Britain in Prophecy*. 3) Garner Ted Armstrong's byline will be overprinted (blacked out) in existing booklet stocks and deleted from future printings rather than destroying thousands of existing booklets.

A word to the internationals: George Ritter, an experienced writer and editor on the PT and booklets staff, is now coordinating the international editions of the PT. Please feel free to correspond directly with him on

any questions or needs in this area. He is doing an excellent job in the planning of the new biblical signature and other matters.

—Brian Knowles, Editorial Services

ON THE WORLD SCENE

JAPAN AND CHINA SIGN HISTORIC TREATY
China and Japan signed on August 12 an historic treaty of peace and friendship which brought to a successful climax years of torturous efforts aimed at ending diplomatic enmities born in war.

In the treaty's most controversial clause, the two countries pledged their joint opposition to efforts by any state to establish hegemony in the Asia-Pacific region or elsewhere.

China's insistence on the clause opposing hegemony—preponderant influence or authority by a single state—upset the Soviets who felt it was aimed at them. But the treaty, signed by the Japanese and Chinese foreign ministers in Peking's Great Hall of the People, also said the accord would not affect the relations of either state with other countries. Japan, seeking to preserve its tenuous relationship with Moscow as much as possible, had wanted to make clear that the antihegemony provision was not directed at any particular nation.

Nevertheless, in Moscow, the Soviet Union angrily denounced the treaty, saying it conflicted with detente and posed a threat to Asian stability. The Soviets have long pushed for their own Moscow-dominated, anti-Peking Asian security arrangement. This now appears dead.

The signing ceremony was watched by Chinese leader Hua Kuo-Feng and Senior Vice Premier Teng Hsiao-Ping and, on live television, by millions in Japan, including Prime Minister Takeo Fukuda who afterwards

predicted extensive development of relations and friendship between the two countries.

The Prime Minister smiled broadly for nationwide television and predicted further extensive development of relations between Asia's biggest economic power and the world's most populous nation.

Commenting on the treaty the two nations in 1972 promised would come when they established official diplomatic relations, Fukuda said Japan and China had been linked by a "rope bridge" but now would be linked by a "steel bridge." He said, "With the bridge being steel, it will be able to support more traffic crossing in both directions."

Japan's position as China's leading trading partner will certainly be enhanced by the treaty. The two countries already are doing record business, with two-way trade of 2.14 billion dollars in the first six months of this year compared with 1.5 billion in the same period of 1977.

Total bilateral trade this year was expected to reach 5.6 billion dollars and greatly favors Japan which is supplying large portions of the plant, equipment and expertise China needs for its modernization program.

There is no doubt that the Japanese decision to go ahead with the treaty—delayed for six years primarily over the wording of the hegemony clause—was also influenced by Tokyo's declining trust of Washington over trade problems, especially the plummetting value of the U.S. dollar. The threat of protectionism in the U.S. against Japanese goods provides added incentive to try to pry open wider the Chinese market.

Closer ties with China—*even of a military nature* could be in the works for the future, as growing friction between Tokyo and Washington means that Japan must

look elsewhere for military co-operation against the mounting Soviet challenge. The *Christian Science Monitor* of August 14, 1978 reports:

> The treaty of peace and friendship that has just been concluded between China and Japan could be a historic watershed, not only in Asia but also for the pattern of international politics throughout the world. . . The reason is that it draws Japan one step closer into a network of both Communist and noncommunist nations concerned about the growing military and political power of the Soviet Union.
>
> The treaty opens the way for growing Japanese economic and political cooperation with China at a time when Peking is persistently seeking to build an anti-Soviet 'containment' network surrounding the Soviet Union and extending from the United States through Western Europe to Japan. China is also attempting to build support in the Soviet Union's 'backyard' with this week's visit by Chairman Hua Kuo-feng to Yugoslavia and Romania . . .
>
> The treaty is expected to strengthen the hand in Japanese internal politics of those who favor export to China of goods with military implications. . . Long-term, if limited, defense cooperation between the two countries also is expected by some analysts. Although a formal alliance is not expected, exchange of opinions or intelligence information between defense forces is one option.
>
> —Gene H. Hogberg, News Bureau

GIBSON B

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MEMBERS OF FIRM

Stanley R. Rader, born White Plains, New York, August 13, 1930; admitted to bar, 1954, California; 1969, U.S. Supreme Court. Preparatory education, St. Lawrence University (A.A., 1950) and University of California at Los Angeles (B.S., 1951); legal education, University of Southern California (J.D., 1963). *Fraternities:* Order of the Coif; Phi Alpha Delta; Phi Kappa Phi. Certified Public Accountant, California, 1954. Lecturer, University of Southern California, Contracts and Introduction to Law, 1963-1965. Trustee: Los Angeles Ballet Society, 1977—; Fonds Leopold III, Belgium, 1977—; Ambassador: International Cultural Foundation, California and Tokyu, Japan, 1977—. Director, Arthur Rubenstein International Competition, 1977—. *Member:* Beverly Hills, Los Angeles County and American Bar Associations; State Bar of California; American Institute of Certified Public Accountants; California Society of Certified Public Accountants; Association of Attorneys and CPA's.

Ralph K. Helge, born Chicago, Illinois, February 19, 1929; admitted to bar, 1954, Illinois; 1964, California; 1964, U.S. Court of Appeals, Seventh Circuit; 1966, U.S. Court of Appeals, Ninth Circuit; 1970, U.S. Court of Appeals, Fifth Circuit; 1971, U.S. Supreme Court; 1975, U.S. Court of Appeals, Tenth Circuit. Preparatory education, Northwestern University and Wheaton Illinois College; legal education, DePaul University (J.D., 1954) and University of Southern California (Business Manager, DePaul Law Review, 1951-1952). Recipient, American Jurisprudence Award, Contracts. Appeal Agent, Selective Service System, 1964-1970. Contributor and Author, "Recommendations Relating to Negligent Conversion Law," California Law Revision Commission, November, 1970. *Member:* Los Angeles County Bar Association; State Bar of California; The Association of Trial Lawyers of America.

Morton M. Gerson, born Los Angeles, California, March 15, 1934; admitted to bar, 1961, California. Preparatory education, University of California at Los Angeles (B.A., 1955); legal education, University of Southern California (LL.B., 1961). *Fraternity:* Phi Alpha Delta. Director, Ambassador International Cultural Foundation, 1975—. *Member:* Beverly Hills and Los Angeles County Bar Associations; State Bar of California.

REPRESENTATIVE CLIENTS: Ambassador College Pasadena, California; World Wide Church of God; Ambassador Internat'nal Cultural Foundation; W.W.W. Affiliates, Inc.; Forest e Mass ons W. o. J Hotels of Beverly Hills, Inc.; Modern Glass Supply Co., Inc.; Travis Travel Service, Inc.

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Robert P. Reddingius, born Minneapolis, Minnesota, June 4, 1920; admitted to bar, 1951, California. Preparatory education, University of California at Berkeley (B.A., 1943); legal education, Hastings College of Law, University of California (J.D., 1950). *Fraternity:* Delta Theta Phi. Licensed Real Estate Broker, California, 1962. *Member:* Pasadena and Los Angeles County Bar Associations; State Bar of California. (Capt., U.S. Marine Corps, 1943-1946)

REFERENCE: Security Pacific National Bank (Main Office).

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TEL 213 577-5248

JUL 18 1978

SIC NOS.
86 61

SUMMARY
RATING ER2
STARTED 1947
PAYMENTS SEE BELOW
EMPLOYS 746
HISTORY INCOMPLETE

HERBERT W ARMSTRONG, PRES

SPECIAL EVENTS: New officers: Stanley R Rader, treasurer and Ralph Helge, secretary.

PAYMENTS REPORTED (Amounts may be rounded to nearest figure in prescribed ranges)

PAYING RECORD	HIGH CREDIT	NOW OWES	PAST DUE	SELLING TERMS	LAST SALE WITHIN
7/78 Ppt		-0-	-0-		
Ppt-Slow 45	30000	5000	2500	N30	1 Mo
6/78 Slow 45		-0-	-0-		
(4)	1000	-0-	-0-		
(5)	100	-0-	-0-		
5/78 Ppt	250	-0-	-0-		2-3 Mos
3/78 Disc	1000	-0-	-0-	2 10 EOM	
1/78 Ppt	2500	2500		Regular terms	
12/77 Disc	100	-0-	-0-		
11/77 Ppt-Slow 30	7500	-0-	-0-		
(11)	500	-0-	-0-	N30	
10/77 Ppt	60000	30000	5000	N30	1 Mo
Ppt	500	250	-0-	N30	1 Mo
Ppt		-0-	-0-	N30	2-3 Mos
Slow 15	250	-0-	-0-	N30	1 Mo

On 07/18/78 management unavailable for comment.

FINANCE

On Jul 18 1978 principals were absent. Ellen Smith, secretary, declined financial information.

HISTORY

HERBERT W ARMSTRONG, PRES — RALPH HELGE, SEC
STANLEY R RADER, TREAS
DIRECTORS: The officers

Non-profit organization chartered in California Feb 20 1947. Later changed name by charter amendment from Radio Church of God (Inc).

Organized for the purpose of conducting churches throughout the U S. Closely affiliated with Ambassador College (Inc), a non -profit organization operating liberal arts school for training in church work.

Dec 31 1973 current assets $7,533,566; total assets $75,446,382; current liabilities $5,425,114; deferred liabilities $15,141,743; and net worth of $54,537,949 and good commercial condition. Inter company relations not learned.

Above officers held identical officers there.

HERBERT W ARMSTRONG born 1896, married. 1925 to 1933 active in advertising line. In 1934 established the church of God in Portland, Oregon. Operations expanded with Armstrong operating at Eugene, Oregon, as Radio Church of God. The business subsequently moved to Pasadena, Ca. in 1947 corporation succeeded.

STANLEY R RADER is treasurer of Ambassador College. In 1976 he succeeded Frank Braun as secretary and treasurer.

OPERATION

A non profit organization operating many churches throughout the U S and the World with most facilities for church services and buildings rented with the exception of church on West 8th St, Eugene, Oregon and Big Sandy, Texas, although corporation owns other real estate throughout the World.

EMPLOYEES: 746. Organization is maintained through contributions and gifts.

LOCATION: Headquarters are located with Ambassador College on the floor of modern four story concrete building on secondary commercial street in close-in residential

(CONTINUED)

[illegible]

ROYAL HOPE CHURCH OF G INC PASADENA CA	JUL 18 1978	

OPERATN
(Cont'd) and business area. Building in normal repair. Premises attractive. BRANCHES: At West 8th St, Eugene, Oregon, Big Sandy, Texas, 321-468 Granville, Vancouver, British Columbia, at Osage Beach, Missouri and at Mount Pocono, Pennsylvania, 18344, P O Box 555, and at P O Box 111, Delta, Wisconsin.
09-20(825 /905)0000/00 10314 053

55b

GIBSON D

BE SURE NAME, BUSINESS AND ADDRESS MATCH YOUR FILE.

ANSWERING INQUIRY

FULL REVISION

DUNS: 07-065-0965
AMBASSADOR INTERNATIONAL CULTURAL FOUNDATION (INC)

300 W GREEN ST
PASADENA CA 91105
TEL 213 577-5440

SEP 28 1978

CULTURAL ORGANIZATION

SIC NOS.
79 99

RATING ER5
STARTED 1975
PAYMENTS SEE BELOW
EMPLOYS 20
HISTORY INCOMPLETE

HERBERT ARMSTRONG, PRES

SPECIAL EVENTS: Present control succeeded Aug 31 1978.

PAYMENTS (Amounts may be rounded to nearest figure in prescribed ranges)

REPORTED	PAYING RECORD	HIGH CREDIT	HOW OWES	PAST DUE	SELLING TERMS	LAST SA WITHIN
5/78	Ppt	50	50	-0-		1 Mo

FINANCE

On Sep 28 1978 Mrs Crossen, secretary, deferred financial statement.

HISTORY

HERBERT ARMSTRONG, PRES
STANLEY RADER, EX VPRES
RALPH HELGE, SEC
ROBERT KUHN, V PRES FOR PROFORMING ARTS
HENRY CORNWALL, TREAS

DIRECTORS: The officers and Romona Armstrong, C Wayne Cole.

Incorporated California Mar 14 1975 as a non profit organization. Incorporating directors Grover T Armstrong, Robert Kuhn and Ralph Helge.

HERBERT W ARMSTRONG born 1895 married. 1925-33 active in advertising line. In 1936 established the church of God in Portland, Oregon, as radio church. Armstrong operating at Eugene, Oregon, as radio church.

STANLEY R RADER. Treasurer of Ambassador College. 1973 he succeeded Frank B as secretary.

ROBERT KUHN. Presently with Ambassador College as professor.

HENRY CORNWELL. Currently with world wide advertising in Century City.

C Wayne Cole, trustee for Ambassador College also director for Pastoral Administration at World Wide Church of God.

OPERATION

Provides social functions such as concerts and lectures. Also publishes magazine known as "The Quest" which is reported to be small portion of total income.

EMPLOYEES: Employs 20 plus including officers.

FACILITIES: Shares office with Ambassador College on third floor in four story modern concrete building on secondary commercial street.

10-066826 /917)9370/03 10314 053

THIS REPORT IS FURNISHED PURSUANT TO CONTRACT WITH THE SUBSCRIBER AND IS SUBJECT TO THE AGREEMENT BETWEEN THE SUBSCRIBER AND THE COMPANY. IT IS FURNISHED IN CONFIDENCE FOR THE EXCLUSIVE USE OF THE SUBSCRIBER AND HIS ASSOCIATES IN CONNECTION WITH THEIR LEGITIMATE BUSINESS AND MAY NOT BE REPRODUCED OR FURNISHED TO ANYONE ELSE. THE INFORMATION CONTAINED IN THIS REPORT HAS BEEN OBTAINED FROM SOURCES WHICH WE BELIEVE RELIABLE, BUT WE DO NOT GUARANTEE IT. ALL RIGHTS RESERVED. ANY USE OF THIS REPORT OTHER THAN AS EXPRESSLY PERMITTED IN THE AGREEMENT IS PROHIBITED. THE COMPANY SHALL NOT BE LIABLE FOR ANY LOSS OR INJURY WHATEVER ARISING FROM CONTINGENCIES BEYOND ITS CONTROL OR FROM ANY ERROR OR DELAY IN THE PROCESS OF COMPILING OR REPORTING INFORMATION.

56b

GIBSON E

78- 836374

RECORDING REQUESTED BY
BANK OF AMERICA NT&SA
BEVERLY WILSHIRE BRANCH

AND WHEN RECORDED MAIL TO

Mr. and Mrs. Irwin Winkler
840 Lona Vista Drive
Beverly Hills, California,

MAIL TAX STATEMENTS TO

ADDRESS GIVEN ABOVE

RECORDED IN OFFICIAL RECORDS
OF LOS ANGELES COUNTY, CA
AUG 1 1978 AT 8 A.M.
Recorder's Office

FEE
$4
2N

SPACE ABOVE THIS LINE FOR RECORDER'S USE

Individual Grant Deed

THIS FORM FURNISHED BY TICOR TITLE INSURANCE

10

The undersigned grantor(s) declare(s):
Documentary transfer tax is $ 3,240.00
(x) computed on full value of property conveyed, or
( ) computed on full value less value of liens and encumbrances remaining at time of sale.
( ) Unincorporated area: (x) City of BEVERLY HILLS, and

FOR A VALUABLE CONSIDERATION, receipt of which is hereby acknowledged,

STANLEY R. RADER AND NATALIE RADER, husband and wife,

hereby GRANT(S) to

IRWIN WINKLER AND MARGO WINKLER, husband and wife, as their community property,

the following described real property in the CITY OF BEVERLY HILLS,
County of LOS ANGELES, State of California:

Lot 30 of Tract No. 7447, as per map recorded in Book 86, Page 6 of Maps, in the office of the County Recorder of said County.

EXCEPTING from said Lot that portion thereof, described as follows:

Beginning at most Northerly corner of said Lot 30, the same being the Easterly line of Lona Vista Drive, as shown on Map of Tract No. 7447; thence South 75° 57' 32" East, along the Northerly line of said Lot, 160.54 feet, to Northeast corner of said Lot; thence South 10° 41' 56" West, along Easterly line of said Lot, 57.03 feet; thence South 7° 03' 40" East, along Easterly line of said Lot, 115.50 feet; thence North 43° 33' 16" West, 242.00 feet to a point on Easterly line of Lona Vista Drive, said Easterly line being a curve, concave Westerly, having a radius of 379.91 feet the radial bearing of said curve from said point being North 75° 10' 18" West; thence Northerly along said curve line, the same being the Easterly line of Lona Vista Drive, 35.00 feet to the point of beginning.

Dated June 23, 1978

Stanley R. Rader, by
Alan Gross, his Attorney-in-Fact.
Natalie Rader, by
Allen Grossi, Her Attorney-in-Fact.

STATE OF CALIFORNIA
COUNTY OF
On before me, the undersigned, a Notary Public in and for said State, personally appeared
known to me to be the person whose name subscribed to the within instrument and acknowledged that executed the same.
WITNESS my hand and official seal.

Notary Public

My Commission Expires

MAIL TAX STATEMENTS AS DIRECTED ABOVE

Attorney in Fact

78- 833374

STATE OF CALIFORNIA
COUNTY OF LOS ANGELES } ss.

On July 21, 1978 before me, the undersigned, a Notary Public in and for said State, personally appeared -ALLAN BROWNE- known to me to be the person whose name is subscribed to the within instrument, as the Attorney in fact of Natalie Rader and acknowledged to me that he subscribed the name of Natalie Rader thereto as principal and his own name as Attorney in fact.

WITNESS my hand and official seal.

Signature

Name (Typed or Printed)

(This area for official notarial seal)

Attorney in Fact

78- 833374

STATE OF CALIFORNIA
COUNTY OF LOS ANGELES } ss.

On July 21, 1978 before me the undersigned, a Notary Public in and for said State, personally appeared -ALLAN BROWNE- known to me to be the person whose name is subscribed to the within instrument, as the Attorney in fact of Stanley R. Rader and acknowledged to me that he subscribed the name of Stanley R. Rader thereto as principal and his own name as Attorney in fact.

WITNESS my hand and official seal.

Signature

Name (Typed or Printed)

73-71[illegible]

RECORDING REQUESTED BY

AND WHEN RECORDED MAIL THIS DEED AND UNLESS OTHERWISE SHOWN BELOW, MAIL TAX STATEMENTS TO

Mr. and Mrs. Stanley R. Rader
360 Beverly Drive
Pasadena, California 91105

RECORDED IN OFFICIAL RECORDS OF LOS ANGELES COUNTY, CA
JUL 3 1973 AT 8 A.M.
Recorder's Office

SPACE ABOVE THIS LINE FOR RECORDER'S USE

City of Pasadena 1155

Corporation Grant Deed

$3

THE UNDERSIGNED GRANTOR(S) DECLARE(S)
DOCUMENTARY TRANSFER TAX is $ 247.50
[X] computed on full value of property conveyed, or
[ ] computed on full value less value of liens or encumbrances remaining at time of sale, and

Ambassador College, a corporation

For a Valuable Consideration, the receipt of which is hereby acknowledged, hereby GRANT(S) to Stanley R. Rader and Natalie A. Rader, husband and wife, as community property

all that real property situated in the County of Los Angeles, State of California, described as follows:

Parcel 3 as shown on Parcel Map No. 65 filed in Book 10 Page 96 of Parcel Maps in the office of the County Recorder of said County.

Dated June 27, 1973

Ambassador College

By [illegible] Vice President Financial Affairs

By [illegible] Secretary

STATE OF CALIFORNIA
COUNTY OF Los Angeles } ss.

On June 29, 1973, before me, the undersigned, a Notary Public in and for said State, personally appeared [illegible] known to me to be the Vice President Financial Affairs, and [illegible] known to me to be the Secretary of the Corporation that executed the within Instrument, known to me to be the persons who executed the within Instrument on behalf of the Corporation therein named, and acknowledged to me that such Corporation executed the same, and acknowledged to me that such Corporation executed the within Instrument pursuant to its by-laws or a resolution of its board of directors.

WITNESS my hand and official seal.

OFFICIAL SEAL
OLIVER U. NESMITH
NOTARY PUBLIC—CALIFORNIA
PRINCIPAL OFFICE IN
LOS ANGELES COUNTY
My Commission Expires May 2, 1980

Oliver U. Nesmith
(Notary Public's Signature)

(This area for official notarial seal)

MAIL TAX STATEMENTS TO PARTY SHOWN ON FOLLOWING LINE; IF NO PARTY SHOWN, MAIL AS DIRECTED ABOVE

(Name)

(Address—Number, Street, City, State, and Zip Code)

RECORDING REQUESTED BY

WHEN RECORDED, PLEASE MAIL TO

Ambassador College
300 West Green Street
Pasadena, California 91105

73- 719386

RECORDED IN OFFICIAL RECORDS OF LOS ANGELES COUNTY, CA
JUL 3 1973 AT 8 A.M.
Recorder's Office

SPACE ABOVE THIS LINE FOR RECORDER'S USE

DEED OF TRUST
and Assignment of Rents

FEE $4.00

THIS DEED OF TRUST, made this 24th day of June, 19 73, BETWEEN

Stanley R. Rader and Natalie A. Rader, husband and wife

herein called TRUSTOR,

whose address is 340 Waverly Drive, Pasadena, California 91105
(Number and Street) (City) (State) (Zip Code)

SECURITY PACIFIC NATIONAL BANK, a National Banking Association, herein called Trustee

and Ambassador College, a corporation

herein called BENEFICIARY,

WITNESSETH: That Trustor irrevocably GRANTS, TRANSFERS and ASSIGNS to TRUSTEE IN TRUST WITH POWER OF SALE, that property in Los Angeles County, California, described as:

Parcel 3 as shown on Parcel Map No. 67 filed in Book 10 Page 96 of Parcel Maps in the office of the County Recorder of said County.

Together with the rents, issues and profits thereof, subject however to the right, power and authority hereinafter given to and conferred upon Beneficiary to collect and apply such rents, issues and profits.

For the Purpose of Securing:

1. Performance of each agreement of Trustor incorporated by reference or contained herein according to the terms hereof, and of any and all obligations of Trustor to Beneficiary, however evidenced, whether such obligations are now existing or hereafter arising, and whether they are voluntary or otherwise, including but not limited to those arising from negligence of Trustor or any agent of Trustor, or from any action taken by Trustee or Beneficiary pursuant to the terms hereof or pursuant to any other agreement between Trustor and Beneficiary.

2. Payment of the indebtedness evidenced by one promissory note of even date herewith, and any extension or renewal thereof, in the principal sum of $ [illegible] executed by Trustor in favor of Beneficiary or order.

3. Payment of such additional sums and interest thereon which may hereafter be loaned to Trustor, or his successors or assigns, when evidenced by a promissory note or notes reciting that they are secured by this Deed of Trust.

4. Payment of all sums expended or advanced by Beneficiary or Trustee under or pursuant to the terms hereof, together with interest thereon at the rate of ten percent per annum from date of expenditure or advancement.

To protect the security of this Deed of Trust, Trustor agrees:

A. To protect the security of this Deed of Trust, Trustor agrees:

1. To keep said property in good condition and repair; not to remove or demolish any building thereon; to complete or restore promptly and in good and workmanlike manner any building which may be constructed, damaged or destroyed thereon, and to pay when due all claims for labor performed and materials furnished therefor; to comply with all laws affecting said property or requiring any alterations or improvements to be made thereon; not to commit or permit waste thereof; not to commit, suffer or permit any act upon said property in violation of law; to cultivate, irrigate, fertilize, fumigate, prune and do all other acts which from the character or use of said property may be reasonably necessary, the specific enumerations herein not excluding the general.

2. To provide, maintain and deliver to Beneficiary fire insurance satisfactory to and with loss payable to Beneficiary. The amount collected under any fire or other insurance policy may be applied by Beneficiary upon any indebtedness secured hereby and in such order as Beneficiary may determine, or at option of Beneficiary the entire amount so collected or any part thereof may be released to Trustor. Such application or release shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

3. To appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; and to pay all costs and expenses, including cost of evidence of title and attorney's fees in a reasonable sum, in any such action or proceeding in which Beneficiary or Trustee may appear, and in any suit brought by Beneficiary to foreclose this Deed.

4. To pay: at least 10 days before delinquency all taxes and assessments affecting said property, including assessments on appurtenant water stock; when due, all encumbrances, charges and liens, with interest, on said property or any part thereof, which appear to be prior or superior hereto; all costs, fees and expenses of this trust.

5. Should Trustor fail to make any payment or to do any act as herein provided, then Beneficiary or Trustee, but without obligation so to do and without notice to or demand upon Trustor and without releasing Trustor from any obligation hereof, may make or do the same in such manner and to such extent as either may deem necessary to protect the security hereof. Beneficiary or Trustee being authorized to enter upon said property for such purposes; appear in, defend, or bring any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; pay, purchase, contest or compromise any encumbrance, charge or lien which in the judgment of either appears to be prior or superior hereto; and in exercising any such powers, pay necessary expenses, employ counsel and pay reasonable attorney's fees.

6. To pay immediately and without demand all sums so expended by Beneficiary or Trustee, with interest from date of expenditure at the rate of ten percent per annum, and to pay for any statement provided for by law in the amount demanded therefor not to exceed the maximum allowed by law at the time when said statement is demanded.

7. That any award of damages in connection with any condemnation for public use of or injury to said property or any part thereof is hereby assigned and shall be paid to Beneficiary who may apply or release such moneys received by him in the same manner and with the same effect as above provided for disposition of proceeds of fire or other insurance.

8. That by accepting payment of any sum secured hereby after its due date, Beneficiary does not waive his right either to require prompt payment when due of all other sums so secured or to declare default for failure so to pay.

9. That at any time or from time to time, without liability therefor and without notice, upon written request of Beneficiary and presentation of this Deed and said note for endorsement, and without affecting the personal liability of any person for payment of the indebtedness secured hereby, Trustee may: reconvey any part of said property; consent to the making of any map or plat thereof; join in granting any easement thereon; or join in any extension agreement or any agreement subordinating the lien or charge hereof.

10. That upon written request of Beneficiary stating that all sums secured hereby have been paid, and upon surrender of this Deed and said note to Trustee for cancellation and retention and upon payment of its fees, Trustee shall reconvey, without warranty, the property then held hereunder. The recitals in such reconveyance of any matters or facts shall be conclusive proof of the truthfulness thereof. The grantee in such reconveyance may be described as "the person or persons legally entitled thereto."

11. That as additional security, Trustor hereby gives to and confers upon Beneficiary the right, power and authority, during the continuance of these Trusts, to collect the rents, issues and profits of said property, reserving unto Trustor the right, prior to any default by Trustor in payment of any indebtedness secured hereby or in performance of any agreement hereunder, to collect and retain such rents, issues and profits as they become due and payable. Upon any such default, Beneficiary may at any time without notice, either in person, by agent, or by a receiver to be appointed by a court, and without regard to the adequacy of any security for the indebtedness hereby secured, enter upon and take possession of said property or any part thereof, in his own name sue for or otherwise collect such rents, issues and profits, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection including reasonable attorney's fees, upon any indebtedness secured hereby, and in such order as Beneficiary may determine. The entering upon and taking possession of said property, the collection of such rents, issues and profits and the application thereof as aforesaid, shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

12. That upon default by Trustor in payment of any indebtedness secured hereby or in performance of any agreement hereunder, Beneficiary may declare all sums secured hereby immediately due and payable by delivery to Trustee of written declaration of default and demand for sale and of written notice of default and of election to cause to be sold said property, which notice Trustee shall cause to be filed for record. Beneficiary also shall deposit with Trustee this Deed, said note and all documents evidencing expenditures secured hereby.

After the lapse of such time as may then be required by law following the recordation of said notice of default, and notice of sale having been given as then required by law, Trustee, without demand on Trustor, shall sell said property at the time and place fixed by it in said notice of sale, either as a whole or in separate parcels, and in such order as it may determine, at public auction to the highest bidder for cash in lawful money of the United States, payable at time of sale. Trustee may postpone sale of all or any portion of said property by public announcement at such time and place of sale, and from time to time thereafter may postpone the sale by public announcement at the time fixed by the preceding postponement. Trustee shall deliver to such purchaser its deed conveying the property so sold, but without any covenant or warranty, express or implied. The recitals in such deed of any matters or facts shall be conclusive proof of the truthfulness thereof. Any person, including Trustor, Trustee, or Beneficiary, may purchase at such sale.

After deducting all costs, fees and expenses of Trustee and of this Trust, including cost of evidence of title in connection with sale, Trustee shall apply the proceeds of sale to payment of: all sums expended under the terms hereof, not then repaid, with accrued interest at the rate of ten percent per annum from date of expenditure; all other sums then secured hereby; and the remainder, if any, to the person or persons legally entitled thereto.

13. Beneficiary, or any successor in ownership of any indebtedness secured hereby, may from time to time, by instrument in writing, substitute a successor or successors to any Trustee named herein or acting hereunder, which instrument, executed by the Beneficiary and duly acknowledged and recorded in the office of the recorder of the county or counties where said property is situated, shall be conclusive proof of proper substitution of such successor Trustee or Trustees, who shall, without conveyance from the Trustee predecessor, succeed to all its title, estate, rights, powers and duties. Said instrument must contain the name of the original Trustor, Trustee and Beneficiary hereunder, the book and page where this Deed is recorded and the name and address of the new Trustee.

14. That this Deed applies to, inures to the benefit of, and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors and assigns. The term Beneficiary shall mean the owner and holder, including pledgees, of the note secured hereby, whether or not named as Beneficiary herein. In this Deed, whenever the context so requires, the masculine gender includes the feminine and/or neuter, and the singular number includes the plural.

15. That Trustee accepts this Trust when this Deed, duly executed and acknowledged, is made a public record as provided by law. Trustee is not obligated to notify any party hereto of pending sale under any other Deed of Trust or of any action or proceeding in which Trustor, Beneficiary or Trustee shall be a party unless brought by Trustee.

16. That the undersigned Trustor requests that a copy of any notice of default and of any notice of sale hereunder be mailed to him at his address hereinbefore set forth.

6. It is mutually [illegible]

1. Any [illegible] in connection with any condemnation for public use of or injury to any property or any part thereof, is hereby assigned and shall be paid to Trustee who may apply or release any such money received by it in the same manner and with the same effect as above provided with respect to proceeds of sale of any or all of said property.

2. Beneficiary may from time to time, by a writing signed and acknowledged by Beneficiary and recorded in the office of the County Recorder of the county or counties where said property is situated, substitute a successor or successors to any Trustee named herein or acting hereunder, which instrument, executed by the Beneficiary and duly acknowledged and recorded in the office of the County Recorder of the county or counties where said property is situated, shall be conclusive proof of proper substitution of such successor Trustee or Trustees, who shall, without conveyance from the Trustee predecessor, succeed to all its title, estate, rights, powers and duties. Said instrument must contain the name of the original Trustee, the book and page where this Deed is recorded and the name and address of the new Trustee.

3. At any time, or from time to time, without liability therefor and without notice, upon written request of Beneficiary and presentation of this Deed and the note for endorsement (in case of full reconveyance, for cancellation and retention), without affecting the personal liability of any person for payment of the indebtedness or the effect whatever upon the security hereof, Trustee may: reconvey any part of said property; consent in writing to the making of any map or plat thereof; join in granting any easement thereon; or join in any extension agreement or any agreement subordinating the lien or charge hereof. Trustee may, in its own discretion, grant such consent or execute such agreement without first requiring that any portion of the indebtedness secured hereby be paid before or after such reconveyance, consent or agreement, or the payment of any fee therefor. Grantee in any reconveyance may be described as the "person or persons legally entitled thereto." Five years after issuance of a full reconveyance, unless Trustee receives notice of an action to clear title to said property under the terms hereof, the recitals in such reconveyance of any matters or facts shall be conclusive proof of the truthfulness thereof. Neither the exercise nor the failure to exercise any right or power given hereunder or otherwise shall affect the duties or liability of any person, firm or corporation liable to make any payment or perform any covenant hereunder or under the note secured hereby.

4. Upon written request of Beneficiary stating that all sums secured hereby have been paid and upon surrender of this Deed and said note to Trustee for cancellation and retention or upon payment of its fees, Trustee shall reconvey, without warranty, the property then held hereunder. The recitals in such reconveyance of any matters or facts shall be conclusive proof of the truthfulness thereof. The grantee in such reconveyance may be described as the "person or persons legally entitled thereto." Five years after issuance of such full reconveyance, unless Trustee receives notice of an action to clear title to said property under the terms hereof, such reconveyance shall be conclusive proof of the proper reconveyance of all title, estate, rights, powers and duties. Neither the exercise nor the failure to exercise any right or power given hereunder or otherwise shall affect the duties or liability of any person, firm or corporation liable to make any payment or perform any covenant hereunder or under the note secured hereby.

5. Trustee accepts this Trust when this Deed, duly executed and acknowledged, is made a public record as provided by law. Trustee is not obligated to notify any party hereto of pending sale under any other deed of trust or of any action or proceeding in which Grantor, Beneficiary or Trustee shall be a party unless brought by Trustee.

6. As additional security, Grantor hereby gives to and confers upon Beneficiary the right, power and authority, during the continuance of these Trusts, to collect the rents, issues and profits of said property, reserving unto Grantor the right, prior to any default by Grantor in payment of any indebtedness secured hereby or in performance of any agreement hereunder, to collect and retain such rents, issues and profits as they become due and payable. Upon any such default, Beneficiary may at any time without notice, either in person, by agent or by a receiver to be appointed by a court, and without regard to the adequacy of any security for the indebtedness hereby secured, enter upon and take possession of said property or any part thereof, in its own name sue for or otherwise collect said rents, issues and profits, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection including reasonable attorney's fees, upon any indebtedness secured hereby, and in such order as Beneficiary may determine. The entering upon and taking possession of said property, the collection of such rents, issues and profits and the application thereof as aforesaid, shall not cure or waive any default or notice of default hereunder or invalidate any act done in response to such default or pursuant to such notice of default and, notwithstanding the continuance in possession of said property or the collection, receipt and application of rents, issues or profits, Trustee or Beneficiary shall be entitled to exercise every right provided for in any of the agreements or by law upon occurrence of any event of default, including the right to exercise the power of sale.

7. Upon default by Grantor in payment of any indebtedness secured hereby or in performance of any agreement hereunder, Beneficiary may declare all sums secured hereby immediately due and payable by delivery to Trustee of written declaration of default and demand for sale and of written notice of default and election to cause Grantor's interest in said property to be sold, which notice Trustee shall cause to be duly filed for record in the office of the County Recorder of the county or counties where said property is situated. Beneficiary also shall deposit with Trustee this Deed, said note and all documents evidencing expenditures secured hereby.

After the lapse of such time as may then be required by law following the recordation of said notice of default, and notice of sale having been given as then required by law, Trustee, without demand on Grantor, shall sell said property at the time and place fixed by it in said notice of sale, either as a whole or in separate parcels, and in such order as it may determine, at public auction to the highest bidder for cash in lawful money of the United States, payable at time of sale. Trustee may postpone sale of all or any portion of said property by public announcement at the time and place of any previously scheduled sale. Neither Beneficiary nor Trustee shall have any duty to any person to make any inquiry or investigation as to the condition, value or title of said property or the nature, validity or adequacy of any matter or fact recited in any deed executed pursuant to such sale. Trustee shall deliver to such purchaser its deed conveying the property so sold, but without any covenant or warranty, express or implied. The recitals in such deed of any matters or facts shall be conclusive proof of the truthfulness thereof. Any person, including Grantor, Trustee, or Beneficiary, may purchase at such sale.

After deducting all costs, fees and expenses of Trustee and of these Trusts, including cost of evidence of title in connection with sale, Trustee shall apply the proceeds of sale to payment of all sums expended under the terms hereof, not then repaid, with accrued interest at the rate provided for in the note, all other sums then secured hereby, and the remainder, if any, to the person or persons legally entitled thereto.

7. Beneficiary, or any successor in interest entitled to any of the indebtedness secured hereby, may from time to time, by instrument in writing, substitute a successor or successors to any Trustee named herein or acting hereunder, which instrument, executed and acknowledged by Beneficiary and recorded in the office of the County Recorder of the county or counties where said property is situated, shall be conclusive proof of proper substitution of such successor Trustee or Trustees, who shall, without conveyance from the Trustee predecessor, succeed to all its title, estate, rights, powers and duties. Said instrument must contain the name of the original Trustee, the book and page where this Deed is recorded and the name and address of the new Trustee.

8. This Deed applies to, inures to the benefit of, and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors and assigns. The term Beneficiary shall mean the owner and holder, including pledgees, of the note secured hereby, whether or not named as Beneficiary herein. In this Deed, whenever the context so requires, the masculine gender includes the feminine and/or neuter, and the singular number includes the plural.

9. Trustee accepts this Trust when this Deed, duly executed and acknowledged, is made a public record as provided by law. Trustee is not obligated to notify any party hereto of pending sale under any other deed of trust or of any action or proceeding in which Grantor, Beneficiary or Trustee shall be a party unless brought by Trustee.

10. As additional security, Grantor hereby gives to and confers upon Beneficiary the right, power and authority, during the continuance of these Trusts, to collect the rents, issues and profits of said property, reserving unto Grantor the right, prior to any default by Grantor in payment of any indebtedness secured hereby or in performance of any agreement hereunder, to collect and retain such rents, issues and profits as they become due and payable. Upon any such default, Beneficiary may at any time without notice, either in person, by agent or by a receiver to be appointed by a court, and without regard to the adequacy of any security for the indebtedness hereby secured, enter upon and take possession of said property or any part thereof, in its own name sue for or otherwise collect said rents, issues and profits, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection including reasonable attorney's fees, upon any indebtedness secured hereby, and in such order as Beneficiary may determine. The entering upon and taking possession of said property, the collection of such rents, issues and profits and the application thereof as aforesaid, shall not cure or waive any default or notice of default hereunder or invalidate any act done in response to such default or pursuant to such notice of default and, notwithstanding the continuance in possession of said property or the collection, receipt and application of rents, issues or profits, Trustee or Beneficiary shall be entitled to exercise every right provided for in any of the agreements or by law upon occurrence of any event of default, including the right to exercise the power of sale.

11. Trustee may resign by the mailing of notice of resignation to Beneficiary. Beneficiary may appoint a successor trustee at any time by filing for record in the office of the County Recorder of each county in which said property or some part thereof is situated, a substitution of trustee. From the time the substitution is filed for record, the new trustee shall succeed to all the powers, duties, authority and title of Trustee named herein or of any successor trustee. Each such substitution shall be executed and acknowledged, and notice thereof shall be given, in the manner provided by law. The successor trustee, without conveyance from the predecessor trustee, shall succeed to all its title, estate, rights, powers and duties. No substitution of trustee shall be made by Beneficiary during the period following the expiration of the time within which Grantor may cure the default in the manner set forth in paragraph 7 hereof.

12. This Deed shall be construed according to the laws of the State of California. Trustee may charge the maximum fees permitted by law at the time of the trustee's service.

The undersigned Trustee requests that a copy of any notice of default and of any notice of sale hereunder be mailed to him at his address hereinbefore set forth.

STATE OF CALIFORNIA,
COUNTY OF Los Angeles
On June 23, 1978 before me, [illegible]
a Notary Public in and for said State, personally appeared

Stanley R. Rader and
Natalie A. Rader

Stanley R. Rader

Natalie A. Rader

personally known to me to be the person[illegible] whose name[illegible] subscribed to the within instrument and acknowledged to me that they executed the same.
WITNESS my hand and official seal.

[illegible]

Notary Public in and for said County and State

OLIVER D. McSMITH
Notary Public — California
Los Angeles County
My Commission Expires May 7, 1980

DO NOT RECORD

REQUEST FOR FULL RECONVEYANCE

To be used only when note has been paid

TO: SECURITY PACIFIC NATIONAL BANK, Trustee

The undersigned is the legal owner and holder of all indebtedness secured by the foregoing Deed of Trust. All sums secured by said Deed of Trust have been fully paid and satisfied. You are hereby requested and directed, on payment to you of any sums owing to you under the terms of said Deed of Trust, to cancel all evidences of indebtedness secured by said Deed of Trust (which are delivered to you herewith together with said Deed of Trust) and to reconvey, without warranty, to the parties designated by the terms of said Deed of Trust, all the estate now held by you thereunder. Mail reconveyance to

Dated:

Please mail Deed of Trust and Note to:

RECORDING REQUESTED BY
SECURITY PACIFIC NATIONAL BANK
AS TRUSTEE

AND WHEN RECORDED MAIL THIS
NOTICE OF SALE AND
NOTICE OF TRUSTEE'S
SALE UNDER DEED OF TRUST
AND ASSIGNMENT OF RENTS
AND NOTICE OF DEFAULT
AND ELECTION TO SELL
UNDER POWER OF SALE

SECURITY PACIFIC NATIONAL BANK
AS TRUSTEE

DECLARATION OF BENJAMIN CHAPMAN

1. My name is Benjamin Chapman, and my business address is Department of Theology, Ambassador College, 300 West Green Street, Pasadena, California. I am above the age of eighteen years and, if called as a witness, I could testify to the following out of my own knowledge.

2. I am making this Declaration with the understanding that it will not be used in any way for the personal financial gain of myself, or of any other individual, but for the collective good of all the members of the Worldwide Church of God, and with the hope that greater fiscal responsibility will be achieved in the Worldwide Church of God.

3. I hold a Bachelor of Science degree from UCLA in Engineering, which I earned in 1957. I also hold a Bachelor of Arts degree from Ambassador College, and a Master's degree in Theology from that same institution. I am presently employed full time as an Instructor in Theology at Ambassador College and as a Pastor in the Worldwide Church of God.

4. Richard David Armstrong, the eldest son of Herbert W. Armstrong, died in the 1950s. I married his former wife in 1961, and we have been married ever since. Because of this, I have been almost of member of Mr. Armstrong's family for many years.

5. I am presently, and I have been since 1963, a Pastor of the Worldwide Church of God. In 1963, the Church sent me and my family to Texas, where I pastored congregations in Dallas and Fort Worth. In 1964, I also became a faculty member, administrator and minister at the Big Sandy campus of Ambassador College, in Texas, and I occupied that position until 1973, when I was called to Pasadena to become the Manager of the Data-Processing Department and, later, Director of Circulation for the Church.

6. To my recollection, it was in the early part of 1974 that Mr. Herbert W. Armstrong appointed me to sit on the Board of Directors of the Worldwide Church of God, Inc., and I occupied a position on that Board for a number of months. At that time, a Mr. David John Hill was a teacher at Ambassador College and was also a member of the Board of Directors of Ambassador College, Inc. It was brought to the attention of Mr. Armstrong that a conflict of interest might exist because of Mr. Hill's dual role as an employee and director of the College, so I was asked by Mr. Armstrong to swap Board positions with Mr. Hill, and in that way I became a member of the College Board. I served in that capacity until the Spring of 1975, when I was asked by Mr. Armstrong to resign my position on the College Board.

7. To my knowledge, all members of the boards of directors of the Worldwide Church of God, Inc., Ambassador College, Inc., and Ambassador International Cultural Foundation, Inc., are and always have been appointed by or under the direction of Mr. Herbert W. Armstrong. Mr. Armstrong also personally approves ordination of all Church Pastors. In recent years, he has accepted recommendations from others regarding ordination.

8. During 1974 and 1975, I was employed full time as Director of Circulation for the Worldwide Church of God, Inc. My duties in that position included supervision of all the data-processing functions of the Church, and so I became familiar with a number of the reporting procedures in use in the Church at that time, especially those concerning media and literature requests and responses.

9. I have been employed full time by either the Worldwide Church of God, Inc., or Ambassador College, Inc., for over eighteen years. Because of my long and continuous association with the Church, I am familiar with

Church doctrine and practices, and with the evolution of those doctrines and practices over the last fifteen years.

10. The Church maintains a computerized data-base of all persons who either receive its literature, participate in its ecclesiastical functions, or contribute money to it. This data base supports a subscriber development system, which is one of the means by which the Work of the Church is accomplished.

11. To my knowledge, no member of the Church, regardless of the amount of frequency of his financial contributions to the Church, has ever, at any time, been asked to vote, or ever has actually voted, upon any matter concerning the governance of the Church: even upon matters which are not ecclesiastical, such as the selection of directors or the expenditure of Church funds. And despite the fact that I served on the Board of Directors of both the Church itself and the College, I myself never had an opportunity to express my personal opinion on any Church matter by means of a vote. Instead, I and the other board members were simply asked to approve decisions made by Herbert W. Armstrong or in his name. I am acquainted with members of the boards of various corporations affiliated with the Church and, to my knowledge, the role I played as a Board member of the Church and then of the College is typical of the role played by the other members of the boards involved.

12. To my knowledge, all Church funds are received from charitable contributions made to the Church. Very little of these funds is earned from income from Church investments. This has always been true and, as far as I know, continues to be true to the present day.

13. All these charitable contributions are made to the Worldwide Church of God for the purpose of furthering its religious mission, which is referred to in the Church as "the Work". Contributions from all over the United

States are received by and deposited to the bank accounts of Worldwide Church of God, Inc., Ambassador College, Inc., and Ambassador International Cultural Foundation, Inc., all in Pasadena, and all disbursements of those funds are made by those same corporations.

14. Financial reports of Church receipts and disbursements are disseminated to members of the Church from time to time, but these reports are never detailed more than a simple balance sheet and income statement, and the members of the Church do not generally have access to the records which would substantiate them. Part of the financial reporting has been done orally: Mr. Armstrong and Mr. Stanley Rader read portions of the reports to the congregations assembled to observe the Feast of Tabernacles. Some of the reporting is done in written form: a copy of one such recent report, which appeared in two separate issues of *The Good News*, is attached here as Exhibit "A".

15. I recognize the Pastor General Expense Report attached here as Exhibit "B" to be in the form customarily given to such documents in the Church. Judging from its form and content, and based on my personal knowledge of the character and magnitude of the expenditures in these categories at that time, I believe it to be what it purports to be: a copy of the report actually made within the Church; and I believe it reflects with substantial accuracy the actual expenditures borne by the Church during the time period it purports to cover. Although I am no longer a member of the Board of the Church, nor Director of Circulation, I believe that the expenditures reflected in the attached Exhibit "B" are continuing today.

16. Other reports, which were computer-generated, were regularly made and delivered to select individuals in the Church at all times while I was Director of Circulation for the Church. I believe that those same reports,

or other reports substantially similar to them, are still generated and circulated within the Church today.

17. I have known Mr. Stanley R. Rader for nearly eighteen years. I met him when we were both involved in the Work in Bricket Wood, England, in 1960.

18. Mr. Rader is presently a lawyer, and C.P.A., and has advised and counseled Mr. Herbert W. Armstrong on Church affairs for many years. Mr. Rader became a lawyer since the time I originally met him, and ever since he became an attorney he has been, as far as I know, a member of the Bar of the State of California. Mr. Rader has effective control over and responsibility for the legal affairs of the Church, and has had this control and responsibility for several years. Recently, in his capacity as Treasurer of the Worldwide Church of God, Inc.—a post to which he was appointed some months ago—he has taken financial responsibility and control as well.

19. Mr. Herbert W. Armstrong is now eighty-six years old, and while he is still in possession of most of his faculties, he is beginning to suffer from certain of the disabilities of advanced age. Over the years, Mr. Rader has gained the confidence and trust of Mr. Armstrong to such an extent that recently, as far as I can perceive, Mr. Armstrong no longer makes important legal or financial decisions himself, and is advised or influenced by few persons other than Mr. Rader. In consequence, it appears to me that as of this date, Mr. Herbert W. Armstrong is effectively guided by Mr. Rader in all Church matters and affairs.

I declare under penalty of perjury that all the foregoing is true and correct.

Executed this 23d day of December, 1978, at Altadena, California.

/s/ Benjamin Chapman
BENJAMIN CHAPMAN

CHAPMAN A

WORLDWIDE CHURCH O

BALANCE SH

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WORLDWIDE CHURCH OF GOD

WORLDWIDE CHURCH OF GOD/AMBASSADOR COLLEGE
BALANCE SHEET
December 31, 1977

Assets	Total 12-31-77	Percentages	
Current assets:			
Cash and Certificates of Deposit	$ 2,307,800		2.8
Short-term investments	357,300		.2
Receivables, current	794,300		1.0
Inventories and prepayments	1,614,800		1.9
Total current assets	$ 4,874,100		5.9
Plant assets, net (Note 1)	61,713,000		74.3
Capital leases, net	2,475,300		3.0
Plant assets held for sale (Note 1)	8,400,000		10.1
Ambassador College, United Kingdom (Note 2)	3,979,100		4.8
Noncurrent receivables	1,582,300		1.9
Deposits	1,700		
Total assets	$83,025,300		100.0
Liabilities and fund balances			
Current liabilities:			
Accounts payable	$ 1,652,200	7.5	2.0
Accrued liabilities	481,500	2.2	.6
Current portion of long-term debt	2,973,500	13.5	3.6
Current portion of obligations under capital leases	358,000	1.6	.4
Deferred amounts	280,400	1.3	.3
Other current liabilities	205,200	1.0	.3
Total current liabilities	$ 5,950,800	27.1	7.2
Long-term debt (Note 3)	13,176,700	59.9	15.9
Obligations under capital leases	2,819,200	12.8	3.4
Deposits owed to students and others	11,100		
Total liabilities	$21,957,800	100.0	26.5
Fund balances:			
Available for current use	3,800,500		4.6
Invested in AC UK and plant assets of discontinued operations held for sale	12,379,100		14.9
Net investment in plant	42,468,900		54.0
Total fund balances	61,067,500		73.5
Total liabilities and fund balances	$83,025,300		100.0

NOTES TO FINANCIAL STATEMENTS

WORLDWIDE CHURCH OF GOD

BALANCE SHEET

In the Sept. 25 edition of *The Good News*, a Statement o Income and Expenditures with accompanying charts was published. Since it is customary that a Balance Sheet accompany the foregoing statement, the following combined balance sheet of the Worldwide Church of God and Ambassador College for the year ended Dec. 31, 1977, is presented. This statement, however, includes only our United States operations.

The combined Balance Sheet was derived by combining financial information contained in the certified individual Balance Sheets of the Worldwide Church of God and Ambassador College.

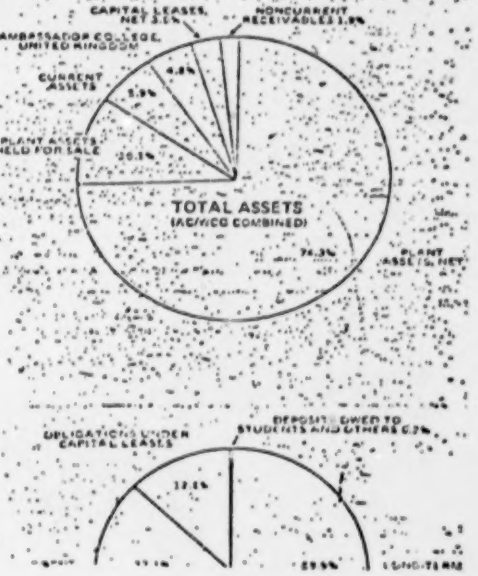
On behalf of Mr. Herbert W. Armstrong, we want to express our deep and sincere appreciation for your continued support of God's Work.

Treasurer

DWIDE CHURCH OF GOD

E CHURCH OF GOD/AMBASSADOR COLLEGE
BALANCE SHEET
December 31, 1977

	Total 12-31-77	Percentages
s of Deposit	$ 2,307,800	2.8
ts	157,300	.2
	394,300	1.0
ayments	1,614,700	1.9
assets	$ 4,473,200	5.7
s)	61,733,000	74.3
	2,475,300	3.0
ble (Note 1)	2,400,000	10.1
ed Kingdom		
	3,979,100	4.8
	3,582,500	3.9
	1,700	
	$83,025,300	100.0
of Balances		
	$ 1,657,700	2.0
	481,500	.6
ng-term debt	2,973,500	3.6
bligations under		
	358,000	.4
	280,400	.3
ities	705,200	.8
liabilities	$ 6,456,300	7.7
	13,176,700	15.9
al leases	2,819,200	3.4
ts and others	56,100	.1
ties	$22,508,300	27.1
	3,800,500	4.6
d plant assets		
erations held		
	12,279,100	14.9
ent	44,980,900	54.0
lances	$57,260,000	68.9
ties and		
es	$83,025,300	100.0



EMENTS

Fund balances:		
Available for current use	$ 5,680,560	6.5
Invested in AC UK and plant assets of discontinued operations held for sale	12,379,100	14.5
Net investment in plant	44,860,930	54.0
Total fund balances	$61,920,590	75.1
Total liabilities and fund balances	$83,025,360	100.0

NOTES TO FINANCIAL STATEMENTS

Note 1

PLANT ASSETS

At Dec. 31, 1977, the book value of plant assets other than those held for sale as a result of the discontinuance of operations at the campus in Big Sandy, Tex., are as follows:

Land and improvements, net	$ 8,356,100
Buildings and improvements, net	39,376,000
Business aircraft, net (G-II and Cessna Citation)	2,915,900*
Equipment and furnishing, net	6,700,000
Library books	1,237,100
Vehicles, net	1,407,200
Construction in progress	349,500
Leasehold improvements, net	241,200
Total	$61,713,000

Plant assets located at the campus in Big Sandy are presented below:

Land and improvements	$1,092,100
Buildings and improvements	6,044,100
Equipment and furnishings, net	810,500
Library books	263,100
Vehicles, net	68,700
Aircraft, net	93,500
Total	$8,460,000**

*Our Grumman Gulfstream II should actually be expressed in terms and has a market value at sales of $5 million. The Cessna Citation has not properly been sold

[illegible] Big Sandy campus is [illegible] million.

Note 2

AMBASSADOR COLLEGE, UNITED KINGDOM

The Ambassador College real property in the United Kingdom has been sold for an amount in excess of $4 million.

Note 3

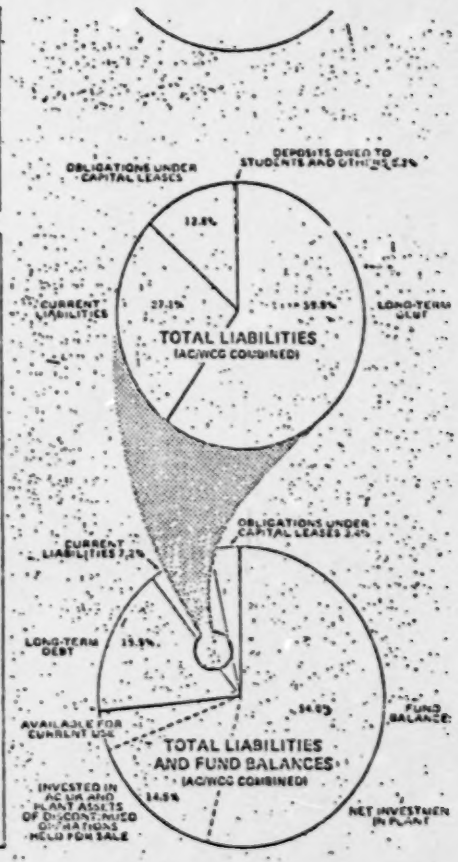
LONG-TERM DEBT AND CREDIT AGREEMENTS

Long term debt, excluding the portion due within one year, outstanding at Dec. 31, 1977, is as follows:

Mortgages payable:	
Ambassador Auditorium	$ 5,907,600
Student center, parking structure	1,178,200
Press and transportation buildings	1,163,800
Hall of Administration	830,500
Grove Terrace — student dorm	431,300
Other buildings	2,186,100
Total mortgages payable	$11,400,500
Loans payable	1,776,200
Total mortgages and loans payable	$13,176,700

CREDIT AGREEMENT

The Church's principal bank line of credit agreement provides for loans of up to $4.3 mil on as follows: $1 million unsecured line of credit to support cash flow, interest at prime; $2 million unsecured construction line of credit, interest rate at prime plus one-half percent, repayable at $75,000 per month plus interest; $1.3 million secured motor-vehicle-fleet line of credit, interest at prime plus three-fourths percent.



1966 TO 1977 WENT TO LOT NO FINANCIAL REPORT — GIVEN (ONLY OFFERING) TAKEN DID NOT FEAST

WORLDWIDE CHURCH OF G

TREASURER'S REP

In previous years [illegible] traditionally presented a financial report to the brethren at the Feast of Tabernacles. Because of the large number of Feast sites around the world it is now impossible to make such a presentation.

Many have indicated that this information would be of general interest to the brethren and co-workers. Therefore, we are publishing this report in the pages of *The Good News* along with a brief explanation of certain key factors.

The Work's financial statements are audited and certified each calendar year by an independent firm of certified public accountants. The following report was excerpted from the financial statements, which are prepared in conformity with generally accepted accounting principles and fairly represent the results of operations for the calendar year ending Dec. 31, 1977. This report includes the international aspects of the Work as well as all allocations to Ambassador College, *Quest/77* and other special projects.

This Work is viewed with highest regards by our major [illegible] to ma[illegible] and t[illegible] Mr. [illegible] tion fo[illegible] suppo[illegible]

WORLDWIDE CHURCH OF GOD

STATEMENT OF INCOME AND EXPENDITURES

Year Ended December 31, 1977

	Total	%
SUPPORT AND REVENUE:		
Tithes, Offerings and Contributions	$39,[illegible]	57.8
Festival Fund	1,467,[illegible]	2.2
Church Assistance Fund	3,[illegible]	4.8
Building Fund	707,[illegible]	1.1
Holy Day Offerings	7,[illegible]	10.5
Donated property and estate donations	179,[illegible]	.3
International income	14,[illegible]	22.9
Other income	761,[illegible]	1.1
Total support and revenue	$67,[illegible]	100.0
EXPENSES:		
Program services:		
Personal worldwide evangelism - campaigns and overseas visits	$ 2,[illegible]	4.0
Media - radio and television, program time and production	4,[illegible]	5.9
Publishing and editorial	5,[illegible]	8.1
International expenses	12,[illegible]	20.2
Ministerial expenses	16,[illegible]	24.0
Ambassador College, Pasadena	9,[illegible]	14.4
Ambassador College, Big Sandy	3,[illegible]	4.4
Investment in Quest/77	3,[illegible]	5.0
Cultural, educational and humanitarian projects	[illegible]	[illegible]
Total program services	[illegible]	90.5
Supporting services:		
General and administrative	9,[illegible]	14.1
Total expenses	$64,[illegible]	104.6
Excess (deficiency) of support and revenue over expenses	($ [illegible])	

RLDWIDE CHURCH OF GOD

ASURER'S REPORT

...and ... yearly audited financial statements by certified public accountants. The following report was excerpted from the financial statements, which are prepared in conformity with generally accepted accounting principles and fairly represent the results of operations for the calendar year ending Dec. 31, 1977. This report includes the international aspects of the Work as well as all allocations to Ambassador College, *Quest/77*, and other special projects.

This Work is viewed with highest regards by our major lending institutions, and we are continuing to meet our financial obligations on a consistent and timely basis.

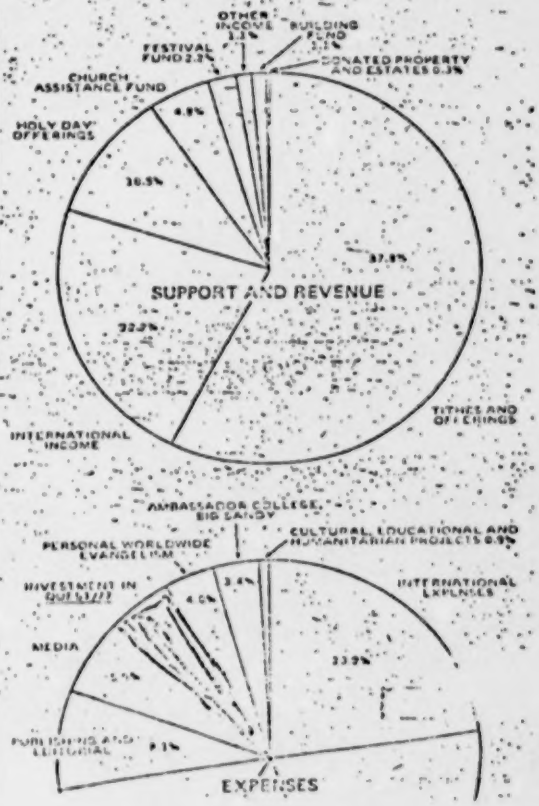
Mr. Armstrong wishes to express his appreciation for your continued prayers and loyal financial support.

Treasurer

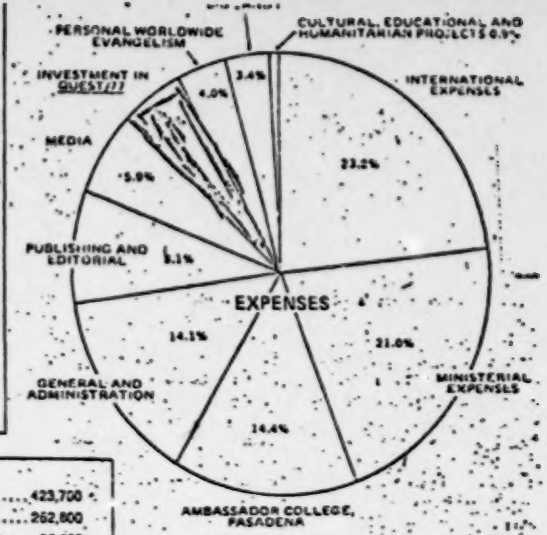
CHURCH OF GOD

...ME AND EXPENDITURES
...ecember 31, 1977

	Total	
	$36,812,700	57.8
	1,447,300	2.2
	3,252,400	4.6
	707,500	1.1
	7,055,300	10.5
	319,700	.5
	14,814,900	22.2
	751,900	1.1
	$67,161,700	100.0
	$ 2,739,500	4.0
	4,022,200	5.9
	5,420,300	8.1
	15,467,700	23.2
	14,368,700	21.0
	9,845,900	14.4
	5,748,600	8.4
	3,401,600	5.0
	[illegible]	
	[illegible]	
	[illegible]	
	[illegible]	
	($ 1,370,700)	



Time and production	4,009,300	5.8
Publishing and editorial	5,470,500	8.1
International expenses	15,867,700	23.2
Ministerial expenses	14,388,700	21.0
Ambassador College, Pasadena	9,644,700	14.4
Ambassador College, Big Sandy	2,365,300	3.4
Investment in Quest/77	3,404,600	5.0
Cultural, educational and humanitarian projects	625,100	.9
Total program services	$56,750,300	80.9
Supporting services:		
General and administrative	9,670,300	14.1
Total expenses	$66,420,600	100.0
Excess (deficiency) of support and revenue over expenses	($ 1,250,201)	



NOTES ON THE STATEMENT OF INCOME AND EXPENDITURES

BASIS OF REPORT

Revenue and expense figures were taken from the certified financial statements. In addition figures were obtained from all international operations and added to the certified figures allowing us to present a worldwide financial statement.

INVESTMENT IN 'QUEST/78'

Quest/78 has a circulation of over 300,000 per issue and is expected to be self-supporting by February, 1979.

Currently, two major communications conglomerates and several other major U.S. industrial corporations have shown an interest in acquiring Quest/78. We should expect a minimum of $4,000,000 should the magazine be sold at an early date.

GENERAL ADMINISTRATIVE EXPENSES

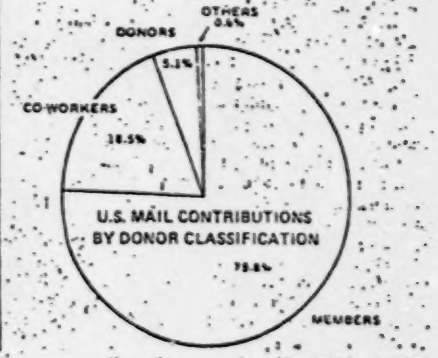
General services salaries, administrative salaries and related expenses	$4,086,600
Contract service payments and fees	1,155,700
Supplies	634,300
Telephone and utilities	472,400
Postage and shipping	545,200
Use of facilities	423,700
Property rentals	262,800
Travel	85,500
Vehicle operating expenses	165,000
Insurance	598,100
Interest	572,700
Taxes, licenses and fees	250,400
Depreciation and amortization	297,700
Miscellaneous	110,100
Total general and administrative expenses	$9,670,200

DEFICIENCY

This deficiency (excess expense over revenue) was met by short-term borrowing from our bank — United California Bank.

NOTE ON CHARTS

To assist the reader in visualizing the financial data, we have prepared the accompanying charts. The first two charts graphically portray the same information presented in the Statement of Income and Expenditures. The third chart depicts the U.S. mail contributions by donor classification. As you can see the membership is responsible for 76.8 percent of all U.S. donations made to the Work.



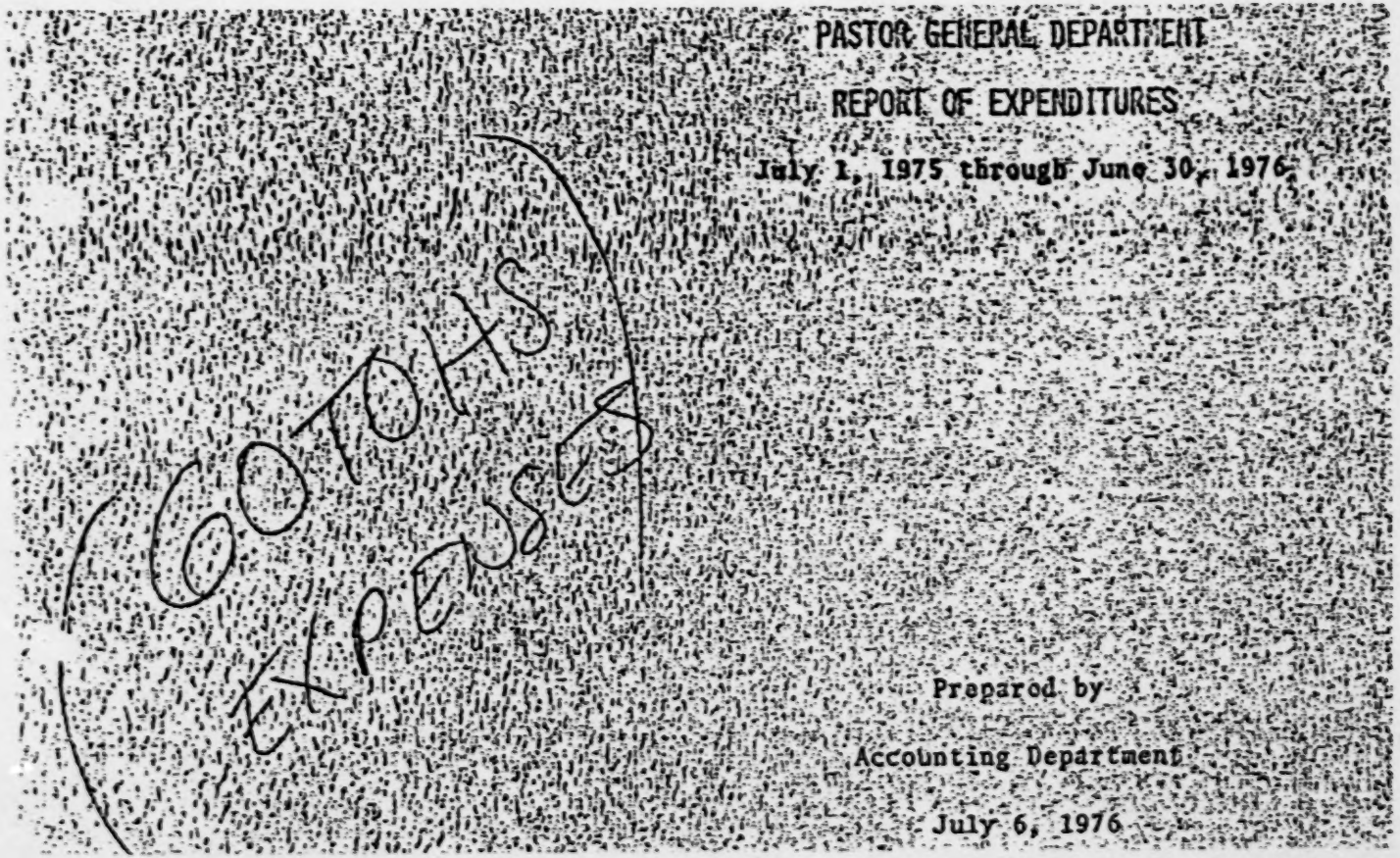

PASTOR GENERAL DEPARTMENT
REPORT OF EXPENDITURES
July 1, 1975 through June 30, 1976
BOOTHS
EXPENSES
Prepared by
Accounting Department
July 6, 1976

TABLE OF CONTENTS

	Page
Summary of Pastor General Expenditures	1
Summary of Pastor General Expenditures by Account	2
Summary of Pastor General Expenditures by Month	3
Graph of Credit Card Usage for Pastor General Travel & Lodging and Public Relations	4
Pastor General Credit Card Usage in Detail	5
Pastor General Travel and Lodging Expenditures by Month	6
Pastor General Public Relations Expenditures Summary	7
Pastor General Public Relations Expenditures in Detail	8 - 27

780

PASTOR GENERAL - SUMMARY OF EXPENDITURES

July 1, 1975 Through June 30, 1976

Cost Center	Description	Actual	Budget	Variance	
2-6510	Pastor General	$1,723,930	$1,260,000	$463,930	Over Budget
2-6511	P. G. Campaigns	136,374	500,000	363,626	Under Budget
2-1420	AICF tokyo	87,528	0	87,528	Over Budget
	Chancellor's Projects	83,811	0	83,811	Over Budget
		$2,031,643	$1,760,000	$271,643	Over Budget

PASTOR GENERAL - EXPENDITURES

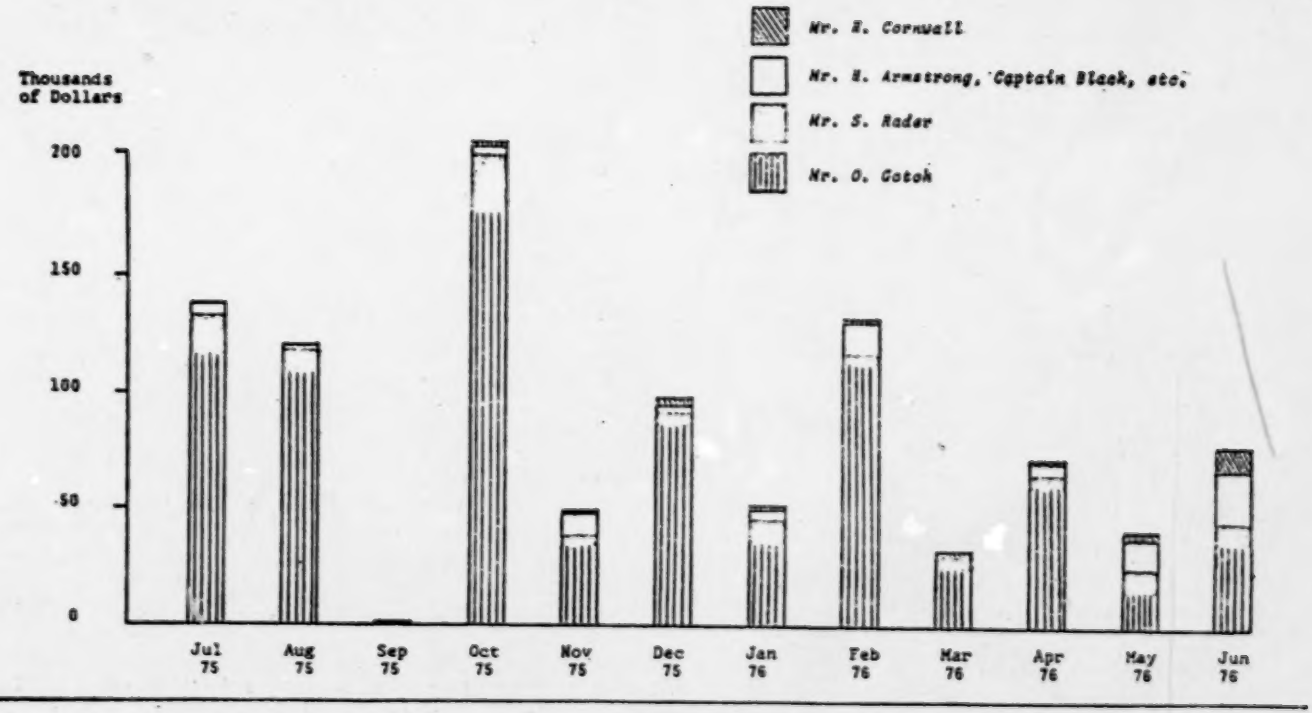
July 1, 1975 Through June 30, 1976

Acct. #	Account	Totals	Pastor General	Pastor General Campaigns	AICF Tokyo	ICCY Israel	Thailand Mt. Tribe Program	Jerusalem Excav. S Wall	Jerusalem Excav. Upper City	Chancellor's Scholarships
301	Salaries	$ 62,948	$ 62,948							
310	Professional Fees	(10,460)	4,540	($ 15,000)						
328	Print Insertions	52		52						
40	Telephone & Telex	12,383	12,383							
347	Freight	5,997	1,184	4,813						
350	Travel & Lodging	889,485	804,927	83,185	$ 1,373					
363	Contracted Services	24,203	14,119	10,084						
367	Maintenance & Repair	2,011	2,011							
375	Outside Food Service	1,013	1,013							
400	Office Supplies	919	919							
401	Misc. Supplies	1,669	1,669							
413	Production Supplies	3,518	3,344	174						
421	Petroleum Products	461	461							
427	Books & Periodicals	12	12							
472	Allocation to Branches	25,061	25,061							
500	Property & Bldg. Rent	780		780						
510	Insurance Premiums	2,530	2,530							
570	Public Relations	819,346	766,422	52,924						
590	All Other	9,882	10,387	(638)	133					
620	Employee Grants-in-Aids	120								$120
621	Grants-in-Aid	179,713	10,000		86,022	$12,500	$43,391	$26,200	$1,600	
	Totals	$2,031,643	$1,723,930	$135,374	$87,528	$12,500	$43,391	$26,200	$1,600	$120

PASTOR GENERAL - MONTHLY EXPENDITURES

July 1, 1975 Through June 30, 1976

Cost Center:	Pastor General	Pastor General Campaigns	AICF Tokyo	Chancellor's Projects	Actual	Budget	Variance
July 1975	$ 179,335	$ 47,685	$ 0	$ 4,567	$ 231,587	$ 147,821	$ 83,766 Over Budget
August 1975	195,706	11,704	0	5,366	212,776	146,431	66,345 Over Budget
Sept. 1975	55,583	0	0	30,487	86,070	146,431	60,351 Under Budget
Oct. 1975	358,653	0	25,019	0	383,672	146,431	237,241 Over Budget
Nov. 1975	121,828	(15,000)	10,022	0	116,850	146,433	29,583 Under Budget
Dec. 1975	188,169	13,467	10,021	3,391	215,048	147,823	67,225 Over Budget
Jan. 1976	80,691	9,636	11,395	40,000	141,722	146,433	4,711 Under Budget
Feb. 1976	197,058	13,399	10,022	0	220,479	146,433	74,046 Over Budget
March 1976	38,133	10,852	10,021	0	59,006	146,441	87,435 Under Budget
April 1976	81,768	40,207	11,022	0	132,997	146,441	13,444 Under Budget
May 1976	89,078	1,272	5,016	0	95,296	146,441	51,145 Under Budget
June 1976	137,928	3,152	(5,010)	0	136,069	146,000	9,931 Under Budget
Total	$1,723,930	$136,374	$87,528	$83,811			



CREDIT CARD USAGE FOR PASTOR GENERAL TRAVEL & LODGING AND PUBLIC RELATIONS

Source: Expenditure Distribution Report - Monthly Payments to Credit Card Companies

CREDIT CARD USAGE FOR PASTOR GENERAL TRAVEL & LODGING & PUBLIC RELATIONS

7/75	8/75	9/75	10/75	11/75	12/75	1/76	2/76	3/76	4/76	5/76	6/76
$ 86,466.69	$102,328.57	$1,381.88	$ 85,451.36	$26,553.71	$23,047.46	$22,809.24	$ 40,721.63	$ 9,358.02	$31,401.63	$25,245.13	$64,660.85
3,299.04	5,953.40	0	120,367.72	23,299.05	75,157.63	19,597.00	80,752.12	13,932.97	1,109.34	16,861.96	18,483.13
47,674.10	11,703.51	0	0	0	0	452.10	10,650.15	9,972.76	526.13	0	0
0	0	0	0	0	0	9,180.33	0	0	39,591.46	0	0
$137,439.83	$119,985.48	$1,381.88	$205,819.08	$49,852.76	$98,205.09	$52,038.67	$132,123.90	$33,263.75	$72,628.56	$42,107.09	$83,143.98

Total Credit Card Activity for Account Code #'s 6510-350, 6510-370, 6511-350, and 6511-370, respectively $1,027,989.07

$ 211.67	$ 514.73	$ 0	$ 2,149.73	$ 1,627.00	$ 3,487.11	$ 1,705.02	$ 1,655.47	$ 2,669.54	$ 1,576.91	$ 3,648.91	$ 3,399.79
											2,807.05
$ 211.67	$ 514.73	$ 0	$ 2,149.73	$ 1,627.00	$ 3,487.11	$ 1,705.02	$ 1,655.47	$ 2,669.54	$ 1,576.91	$ 3,648.91	$ 6,206.84

Total Credit Card Activity for Account Code #'s 6510-350 and 6510-370 - Mr. H. Cornwall $25,452.93

$ 67,911.69	$ 90,769.27	$ 114.24	$ 68,512.16	$15,839.19	$11,507.58	$ 7,246.20	$ 23,528.27	$ 2,256.28	$20,365.95	$ 9,098.74	$30,886.57
	5,953.40		107,687.02	19,003.72	75,157.63	19,597.00	78,892.65	13,932.78	682.23	6,730.85	8,507.57
47,674.10	11,703.51					452.10	10,650.15	9,972.76	526.13		
						9,180.33			39,591.46		
$115,585.79	$108,426.18	$ 114.24	$176,199.18	$34,842.91	$86,665.21	$36,475.63	$113,071.07	$26,161.82	$61,165.77	$15,829.59	$39,394.14

Total Credit Card Activity for Account Code #'s 6510-350, 6510-370, 6511-350, and 6511-370, respectively for Mr. O. Gotoh $813,931.53

$ 16,655.25	$ 9,285.21	$ 257.37	$ 11,978.87	$ 3,810.36	$ 5,356.06	$ 9,539.35	$ 2,334.69	$ 3,338.65	$ 4,627.41	$ 185.53	$ 2,749.53
154.54			12,680.70				1,859.47		427.11	10,131.11	7,168.51
$ 16,809.79	$ 9,285.21	$ 257.37	$ 24,659.57	$ 3,810.36	$ 5,356.06	$ 9,539.35	$ 4,194.16	$ 3,338.65	$ 5,054.52	$10,316.64	$ 9,918.04

Total Credit Card Activity for Account Code #'s 6510-350, and 6510-370 - Mr. S. Rader $102,530.77

$ 4,817.58	$ 1,759.36	$1,010.27	$ 2,810.60	$ 9,572.49	$ 2,690.71	$4,318.07	$ 13,203.20	$ 1,093.74	$ 4,531.16	$12,311.05	$39,[illegible]

PASTOR GENERAL - MONTHLY EXPENDITURES
ACCOUNT 350 - TRAVEL & LODGING

July 1, 1975 Through June 30, 1976

Month	Pastor General	Pastor General Campaigns	Amount	Budget	Variance	
July	$130,380.54	$47,674.10	$178,054.64	$ 100,416.40	$ 77,638.24	Over Budget
August	119,218.80	11,703.51	130,922.31	100,416.40	30,505.91	Over Budget
September	9,268.11	0	9,268.11	100,416.40	91,148.29	Under Budget
October	119,682.00	0	119,682.00	100,416.40	19,265.60	Over Budget
November	51,223.90	0	51,223.90	100,416.40	49,192.50	Under Budget
December	50,361.94	1,814.20	52,176.14	100,416.40	48,240.26	Under Budget
January	50,594.08	452.10	51,046.18	100,416.40	49,370.22	Under Budget
February	55,971.13	10,650.15	66,621.28	100,416.40	33,795.12	Under Budget
March	23,909.62	10,365.16	34,274.78	100,416.40	66,141.62	Under Budget
April	58,812.94	526.13	59,339.07	100,416.40	41,077.33	Under Budget
May	62,274.00	0	62,274.00	100,416.40	38,142.40	Under Budget
June	73,230.74	0	73,230.74	100,416.40	37,185.66	Under Budget
	$804,927.80	$83,185.35	$888,113.15			

EXPENSE ANALYSIS SUMMARY

PASTOR GENERAL EXPENSES - ACCOUNT 570 - PUBLIC RELATIONS*

July 1, 1975 - June 30, 1976

(A) VIP Travel, Lodging & Entertainment			(C) Film & Film Processing			(E) Testimonial Dinners & Overseas Campaigns		
July	$ 6,861.16		July	$2,272.64		July	$ 4,600.00	
Aug.	42,495.17		Aug.	536.02		Aug.	5,000.00	
Sept.	7,385.93		Sept.	1,419.43		Sept.	4,420.00	
Oct.	91,344.55		Oct.	153.70		Oct.	107,174.10	
Nov.	(2,040.42)		Nov.	$		Nov.	23,177.60	
Dec.	13,263.18		Dec.	2,178.10		Dec.	64,840.18	
Jan.	7,056.24		Jan.	$		Jan.	28,261.27	
Feb.	17,257.94		Feb.	$		Feb.	106,912.37	
Mar.	3,651.87		Mar.	$		Mar.	15,378.97	
Apr.	8,731.58		Apr.	$		Apr.	39,591.46	
May	18,927.79		May	$		May	$	
June	11,314.62	$226,249.61	June	$	6,559.89	June	3,152.00	402,507.95
(B) Gifts			**(D) Contracted Services**			**(F) Miscellaneous**		
July	$ 22,538.74		July	$ 3,100.00		July	$ $	
Aug.	6,961.37		Aug.	24,750.00		Aug.	65,440.00	
Sept.	5,592.99		Sept.	7,000.00		Sept.	13,840.00	
Oct.	24,923.10		Oct.	104.97		Oct.	$	
Nov.	10,845.63		Nov.	2,820.02		Nov.	18,248.00	
Dec.	12,583.37		Dec.	$		Dec.	46,235.79	
Jan.	3,177.03		Jan.	$		Jan.	$	
Feb.	6,451.09		Feb.	$		Feb.	1,654.50	
Mar.	4,543.36		Mar.	$		Mar.	$	
Apr.	940.27		Apr.	$		Apr.	$	
May	$		May	$		May	$	
June	16,524.00	115,080.95	June	19,300.00	57,074.99	June	119.32	145,537.61

*For Cost Centers 6510, 6511, 1400 (July - Dec. 1975)

GRAND TOTAL $953,011.00

EXPENSE ANALYSIS
PASTOR GENERAL EXPENSES - ACCOUNT 570

(A) VIP Travel & Lodging:

	Invoice Date	Recipient	Purpose of Payment	Amount
July:	6/26/75	Beverly Wilshire Hotel	Mr. & Mrs. Nadaya (6/24, 25, 26)	$ 321.93
	6/28/75	Perino's	Mr. Gotoh (6/25, 6/28)	564.15
	5/24/75	TWA - Gotoh	M. Baca	684.32
	5/27/75	TWA - Gotoh	Mugo - Addis Ababa - Nairobi - Addis Ababa	373.80
	5/23/75	TWA - Gotoh	Dr. Angeles	668.60
	6/3/75	TWA - Gotoh	Zulin Mehta	61.00
	5/27/75	TWA - Gotoh	Dr. Singh - Nirobi, Zurich, Geneva, Amsterdam	1,897.84
	5/22/75	TWA - Gotoh	Rahiansgy - Amsterdam, Paris, Amsterdam	444.25
	5/22/75	TWA - Gotoh	Dr. Singh - Amsterdam, Paris	222.12
	7/21/75	Dr. Ohno - Cash	Expense Money	1,300.00
	7/07/75	White Tie Limo. Sv.	Mr. Nadaya	323.15
Sub total for amount paid in July				$ 6,861.16
August:	6/19/75	TWA - Gotoh	Dr. Singh - Amsterdam, Geneva, Amsterdam	$ 224.73
	7/22/75	TWA - Gotoh	Matsufuji - Paris, Tel Aviv	3,190.00
	7/24/75	TWA - Gotoh	Dr. Ohno - Tokyo, Los Angeles, Tokyo	1,045.67
	6/19/75	TWA - Gotoh	Mr. Mugo - Paris, Geneva, Paris	114.18
	6/06/75	TWA - Gotoh	Mr. Mugo - Nirobi, Paris, Geneva	1,867.93
	6/13/75	TWA - Gotoh	Matsufuji - Tokyo, Bombay, Tel Aviv	3,452.05
	6/19/75	TWA - Gotoh	Dr. Singh - Geneva, London, Amsterdam	349.80
	6/18/75	TWA - Gotoh	Mr. Mugo - Paris, Geneva, London	503.92
	6/19/75	TWA - Gotoh	Mr. Mugo - Nirobi, Addis Ababa, Paris, Geneva	131.93
	6/13/75	TWA - Gotoh	Dr. Singh - Amsterdam, Tokyo, Amsterdam	8,001.72
	8/13/75	Captain Black	Expense money for Mr. Ravid	1,000.00
	7/10/75	TWA - Gotoh	Amano	1,008.87
	8/3/75	TWA - Gotoh	Murata	1,297.87
	7/18/75	Monty's - Pasadena	One Dinner	9.93
	4/22/75	TWA - Gotoh	Fujita - Tokyo, Hong Kong, Karochi, Tokyo	1,643.21
	6/6/75	TWA - Gotoh	Gecage - Nairobi, Paris, Geneva	1,887.93
	8/28/75	Okno, Sato, Matsufuji	Cash - Entertainment Expense	2,700.00
	8/01/75	WWA - Gotoh	Travel & Transportation for Japanese Group	13,750.00
	7/19/75	Perino's	Various Meals	290.43
Sub Total for amount paid in August				

EXPENSE ANALYSIS
PASTOR GENERAL EXPENSES - ACCOUNT 570

VIP Travel & Lodging (Continued):

	Invoice Date	Recipient	Purpose of Payment	Amount
September:	7/05/75	Beverly Wilshire Hotel	Senator Bunsei Sato	$ 904.30
	9/03/75	Beverly Wilshire Hotel	Japanese Senators	1,997.73
	7/23/75	AC Big Sandy	Flight Charges to San Antonio - Dr. & Mrs. Angeles	270.00
	8/05/75	Carlton Tower	Dr. Singh (7/31 - 8/05)	1,774.59
	9/05/75	Disneyland Hotel	Matsufuji and family and Dr. Ohno (8/28 - 8/30)	423.91
	8/26/75	Beverly Wilshire Hotel	Hajime Ishii (Japanese Diet) (8/25, 8/26)	180.40
	9/03/75	Worldwide Adv. Gotoh	Misc. Expense - Japanese Delegates to Jerusalem	1,835.00
Sub Total for amount Paid in September				$ 7,385.93
October:	9/09/75	L. A. Hilton	Dr. Ohno (8-24 to 9-09)	$ 1,428.21
	7/26/75	TWA - Gotoh	Yamaguchi	2,054.87
	8/25/75	TWA - Gotoh	Matsufuji	6,734.34
	9/29/75	White Tie Limo.Serv.	Japanese Senators	2,588.60
	8/11/75	Diners Club - Rader	La Scala, Beverly Hills	195.71
	9/03/75	Royal V.S.P. Services	Honolulu	293.58
	9/02/75	Am. Express - Gotoh	Hyatt Regency - Manila	3,926.93
	9/18/75	TWA - Gotoh	Dr. Ohno	1,041.44
	7/30/75	TWA - Gotoh	Yamashita	1,355.56
	7/26/75	TWA - Gotoh	Mori	2,054.87
	9/16/75	Beverly Wilshire	B. Mugo (9/10 - 9/16)	2,462.74
	9/02/75	Mrs. Mugo	Bank Draft to Carlton Tower for Mrs. Mugo	4,972.84
	10/6/75	Kahala Hilton	Ambassador Mugo & Family	2,408.33
	5/30/75	Am. Express - Gotoh	Imperial Hotel - Tokyo	5,739.27
	9/02/75	Del Webbs Kuilima	Hotel charges - Senator Matsufuji & Party - Hawaii	476.69
	8/05/75	TWA - Gotoh	Yomashita	10,660.45
	10/21/75	Regency Hotel	Mrs. Dottie Moore (10/20 - 10/21)	429.47
	9/09/75	Hertz - L.A.	John Kineston for VIP	422.65
	7/26/75	TWA - Gotoh	Lloyd - NCE - Paris	1,695.60
	7/26/75	TWA - Gotoh	Yamaguchi	3,401.19
	9/01/75	Regency Hotel	Ambassador Mugo (9/2 - 9/10)	5,393.96

EXPENSE ANALYSIS
PASTOR GENERAL EXPENSES - ACCOUNT 570

VIP Travel & Lodging (Continued):

	Invoice Date	Recipient	Purpose of Payment	Amount
October (Cont.):	8/20/75	TWA - Gotoh	N. M. Mugo	$19,272.75
	10/06/75	White Tie Limo. Serv.	Mugo & Family, Cornwall & Rader	921.65
	8/26/75	Amer. Express - Gotoh	Korikawa Restaurant, L.A.	2,056.84
	9/17/75	Foreign Draft	Bank Draft to Carlton Tower, London	3,583.64
	8/26/75	TWA - Gotoh	Fukunaga	1,683.50
	8/26/75	Amer. Express - Gotoh	Korikawa Restaurant, L.A.	67.91
	9/25/75	Regency Hotel	Dr. Singh (9/15 - 9/25)	4,020.98
Sub Total for Amount paid in October				$91,344.55
November:	10/13/75	Perino's	Various Meals	$ 298.73
	9/18/75	Lowes Drake	Ms. C. Drake - Guest of H.W.A. - New York	59.32
	11/15/75	Bev. Wilshire Hotel	Sander, Gorlinsky	1,175.74
	10/01/75	Diners Club - Gotoh	Club Kon (Night club) - Japan	1,519.75
	11/19/75	Bev. Wilshire Hotel	Jascha Bistritzky (11/4 - 11/19)	1,149.24
	9/03/75	TWA - Gotoh	Senator Yamashita	(6,243.20)
Sub Total for Amount paid in November				$(2,040.42)
December:	10/25/75	American Express	Osamu Gotoh - Hotel Bill - Switzerland	$ 6,325.40
	11/18/75	TWA - Gotoh	Y. Olino - TYO - LAX - NYC - LAX - TYO	1,334.77
	11/24/75	White Tie Limo. Ser.	Mr. George Whyte - Limousine Service	151.80
	12/20/75	White Tie Limo. Ser.	Mr. Gotoh, Rader, Panov, Whyte	631.25
	12/09/75	Royal USP Serv.	Limousine Service in Hawaii	423.20
	12/10/75	Royal USP Serv.	Limousine Service in Hawaii	202.60
	12/10/75	TWA - Gotoh	Kabayashi - Paris to Tokyo	2,189.29
	10/14/75	TWA - Gotoh	J. Bistrytsky TLV - VIE, LON, NYC, - TLV -	1,465.24
	11/25/75	Regency Hotel, N.Y.	Sara Kde Mekler - along with Bistrytsky	539.63
Sub Total for Amount paid in December				$13,263.18

EXPENSE ANALYSIS

PASTOR GENERAL EXPENSES - ACCOUNT 570

(A) VIP Travel & Lodging & Entertainment:

	Invoice -Date	Recipient	Purpose of Payment	Amount
January 1976:	12/30/75	Perino's	Meals	$ 707.60
	12/31/75	Perino's	Meals	1,252.16
	12/30/75	Perino's	Meals	344.64
	12/29/75	White Tie Limo Serv.	Mr. Cornwall & Mr. Fujita - 5 trips	461.70
	12/02/75	White Tie Limo Serv.	Mr. & Mrs. Arthur Rubenstein	96.60
	12/19/75	White Tie Limo Serv.	Mr. Rader	28.80
	01/07/76	White Tie Limo Serv.	Mr. Rader - 3 trips	149.00
	12/18/75	TWA - Gotoh	F. Lloyd - Hong Kong-Zurich-Paris	1,612.10
	12/14/75	TWA - Gotoh	M. Lloyd - Tokyo - Hong Kong	85.83
	12/18/75	TWA - Gotoh	Akanoma - Hong Kong	334.16
	12/16/75	TWA - Gotoh	Akanoma - Tokyo-Hong Kong-Beirut-Cairo-Paris-London-New York	1,983.65
			Sub-total for January	$ 7,056.24
February 1976:	10/25/75	Diners-Gotoh	S.A.Hermes - Paris (Credit)	$ (750.38)
	12/05/75	Diners-Gotoh	Japan (establishment unknown)	1,147.30
	01/26/76	Perino's	Meals	226.07
	01/28/76	Perino's	Meals	868.68
	01/25/76	White Tie Limo Serv.	Mr. Rader & party	212.60
	01/31/76	White Tie Limo Serv.	Mr. Gotoh	147.60
	12/24/75	Amex - Gotoh	S.A.Hermes - Paris	2,237.12
	12/16/75	TWA - Gotoh	Siniscar - Tokyo-Honk Kong-Singapore-L.A.-Tokyo	3,989.68
	01/14/76	TWA - Gotoh	J. Roan - Tokyo-Paris	1,646.23
	12/24/75	TWA - Gotoh	Stanronides - London-L.A.-London	795.44
	01/14/76	TWA - Gotoh	S. Hagiwara - Tokyo-Paris-Tokyo	6,584.92
	12/23/75	TWA - Gotoh	Y. Akandiya - Cairo-Paris	152.68
			Sub-total for February	$17,257.94

EXPENSE ANALYSIS

PASTOR GENERAL EXPENSES - ACCOUNT 570

(A) VIP Travel & Lodging & Entertainment:

	Invoice Date	Recipient	Purpose for Payment	Amount
March 1976:	02/20/76	White Tie Limousine	Limousine Service - Gotoh	$ 48.00
	02/25/76	Perino's	Food Service - H.W.A.	13.65
	02/28/76	Perino's	Food Service - S.R.R.	272.34
	Adjustment	TWA	Miyagawa	3,317.88
			Sub-total for March	$3,651.87
April 1976:	01/29/76	TWA - Gotoh	Miyagawa	$2,305.99
	01/31/76	TWA - Gotoh	Kawada	1,725.70
	02/19/76	White Tie Limo.Serv.	Horowitz	156.55
	03/05/76	White Tie Limo.Serv.	Rader & Cornwall	823.70
	03/12/76	Diners Club S.R.R.	La Scala	100.25
	03/18/76	Diners Club S.R.R.	La Scala	202.71
	03/19/76	Diners Club S.R.R.	La Scala	102.18
	03/21/76	Royal VSP Serv.	Limousine Service in Hawaii	470.58
	03/23/76	Diners Club S.R.R.	Beverly Wilshire	21.97
	03/27/76	Perino's	Food Service	664.74
	03/29/76	Perino's	Food Service	177.42
	03/30/76	La Scala	Restaurant - S.R.R.	261.63
	03/31/76	White Tie Limo Serv.	Ambassador & Mrs. Nasar	610.80
	04/01/76	Ambassador Nasar	Expense money	1,000.00
	04/17/76	Disneyland Tour	Ambassador Nasar	107.31
			Sub-total for April	$8,731.58

85b

EXPENSE ANALYSIS

PASTOR GENERAL EXPENSES - ACCOUNT 570

(A) VIP Travel & Lodging & Entertainment:

	Invoice Date	Recipient	Purpose of Payment	Amount
May 1976:	02/10/76	Diners Club - Gotoh	Imperial Hotel - Tokyo	$ 2,473.38
	02/25/76	Diners Club - Rader	Hilton Hotel - Jerusalem	1,084.00
	02/25/76	Diners Club - Rader	Hilton Hotel - Jerusalem	1,323.61
	02/25/76	Diners Club - Rader	Hilton Hotel - Jerusalem	1,084.00
	02/25/76	Diners Club - Rader	Hilton Hotel - Jerusalem	1,219.50
	02/25/76	Diners Club - Rader	Hilton Hotel - Jerusalem	1,084.00
	02/25/76	Diners Club - Rader	Hilton Hotel - Jerusalem	1,084.00
	02/25/76	Diners Club - Rader	Hilton Hotel - Jerusalem	1,084.00
	02/25/76	Diners Club - Rader	Hilton Hotel - Jerusalem	1,084.00
	02/25/76	Diners Club - Rader	Hilton Hotel - Jerusalem	1,084.00
	03/13/76	Diners Club - Gotoh	Hawn Regent Hotel - Honolulu	4,257.20
	04/02/76	Perino's	Meals	779.36
	04/07/76	Perino's	Meals	36.17
	05/06/76	Beverly Wilshire Hotel	Ambassador Nasr & Family Hotel Bill	1,180.88
	05/13/76	La Scala	Meals - Rader	69.69
			Sub-total for May	$18,927.79
June 1976:	04/06/76	Diners Club - Gotoh	Hotel Plaza - Paris	$ 8,507.57
	05/16/76	Amer. Express	Canyon Hotel - Palm Springs, Mr. Cornwall	500.04
	05/16/76	Amer. Express	Canyon Hotel - Palm Springs, Mr. Cornwall	2,307.01
			Sub-total for June	$11,314.62

EXPENSE ANALYSIS
PASTOR GENERAL EXPENSES - ACCOUNT 570

(B) Gifts:

	Invoice Date	Recipient	Purpose of Payment	Amount
July:	6/11/75	Amer. Express - S. Rader	Sato Photo Co.	$ 154.54
	6/11/75	Amer. Express - E. Black	King Fook Gold & Jewelry - Hong Kong	3,144.50
	6/10/75	Lee Mac Camera	Mr. Gotoh - 3 Cameras & Accessories	1,133.67
	6/12/75	Lee Mac Camera	Mr. Gotoh - 3 Cameras & Cases	504.03
	6/25/75	Steuben Glass	1 Moses, 1 Pyramidon, 1 Excalibur, 3 Pillar of the Griffin	12,402.00
	7/09/75	Worldwide Adv. -Gotoh	Gifts for Tokyo, Geneva, Paris trip (6/16 - 6/25)	1,400.00
	7/09/75	Worldwide Adv. -Gotoh	Tokyo, Paris Monte Carlo trip	3,800.00
Sub Total for Amount paid in July				$22,539.74
August:	8/22/75	Central Stores W/C	Cross, Schaeffer, Parker Pen and Desk Sets	$ 408.31
	7/28/75	Amer. Exp.- Gotoh	Sato Photo Co. - Tokyo	389.45
	8/12/75	Barnhart	Golf Balls for King Leopold	26.16
	7/29/75	Lee Mac Camera	4 Cameras, Accessories & Film	1,440.54
	7/19/75	Amer. Exp. -Gotoh	Sato Photo Co.	461.65
	7/02/75	Lee Mac Camera	6 Cameras & Accessories	1,135.26
	8/06/75	WWA - Gotoh	Egypt, Israel & Orient (8/1 - 8/20)	3,100.00
Sub Total for Amount paid in August				$ 6,961.37
September:	9/09/75	WWA - Gotoh	Trip - Tokyo, Bangkok, Austria (8/21/75 - 9/21/75)	$ 4,300.00
	8/29/75	Lee Mac Camera	Camera & Accessories	335.28
	8/19/75	Lee Mac Camera	2 Cameras and Accessories	957.71
Sub Total for Amount paid in September				$ 5,592.99
October:	8/31/75	Amer. Exp. - Rader	Sato Photo Co., Tokyo	$ 435.60
	7/09/75	Amer. Exp. - Gotoh	Gucci Shop, Paris	1,162.10
	8/23/75	Amer. Exp. - Gotoh	Sato Photo Co., Tokyo	1,571.50
	8/27/75	Diners Club - Gotoh	Gucci Shop, Beverly Hills	127.20
	8/27/75	Amer. Exp. - Gotoh	Gucci Shop, Beverly Hills	702.78
	8/27/75	Amer. Exp. - Gotoh	Gucci Shop, Beverly Hills	385.84
	10/2/75	Steuben Glass Co.	4 Crystal Griffins	7,441.20
	10/9/75	WWA - Gotoh	Gifts for Geneva, Paris, Dusseldorf	4,000.00
	9/12/75	Lee Mac Camera	Cameras, Cases, etc.	4,691.56

EXPENSE ANALYSIS
PASTOR GENERAL EXPENSES - ACCOUNT 570

Gifts (Continued):

	Invoice Date	Recipient	Purpose of Payment	Amount
October (Cont.)	08/21/75	Diners Club	Expenses incurred in Japan	921.94
	10/31/75	Gene Michel	Golf Clubs	111.40
	10/31/75	Central Stores, WC	Cross, Schaeffer, Parker Pen and desk sets (6/15 - 7/15)	1,636.78
	10/31/75	Central Stores, WC	Cross, Schaeffer, Parker pen and desk sets (8/15 - 10/15)	1,735.20
Sub Total for amount paid in October				$24,923.10
November:	10/20/75	Steuben Glass Co.	Four Pieces of Crystal	$ 3,406.00
	09/30/75	Amer. Express--Gotoh	Sato Photo Co.	1,502.50
	11/12/75	Osamu Gotoh	Gifts for Japan, Jamaica, Thailand, Incia, etc.	5,300.00
	09/25/75	Amer. Express - Gotoh	King Fook Gold & Jewellry - Hong Kong	637.15
Sub Total for amount paid in November				$10,945.63
December:	06/03/75	ACUK Backcharge	Mr. Rader - Perfume purchased at Harrods	$ 81.27
	10/08/75	Amer. Express	Osamu Gotoh - K. Mikinoto & Co. Tokyo	1,666.95
	10/15/75	Carte Blanche	Osamu Gotoh - 62 Pc. Flatware	55.88
	10/27/75	Carte Blanche	Osamu Gotoh - Mens Jacket	22.76
	10/27/75	Carte Blanche	Osamu Gotoh - Glassware	36.54
	10/27/75	Carte Blanche	Osamu Gotoh - Ladies Jacket	22.76
	10/27/75	Carte Blanche	Osamu Gotoh - Mens Jacket	22.76
	10/30/75	Diners Club	Osamu Gotoh - Christian Dior, Paris	115.06
	11/14/75	American Express	Osamu Gotoh - Duty Free Shop	306.85
	12/26/75	Osamu Gotoh	Cash paid out for gifts	209.88
	12/23/75	Central Stores WC	Pen and Desk Sets for Mr. Gotoh	442.66
	12/01/75	Osamu Gotoh	Gifts - Japan, Philippines, Thailand, Iran, Switzerland	4,600.00
	12/03/75	Osamu Gotoh	Gifts - Bahamas, Japan, Korea, Israel, Egypt, etc.	5,000.00
Sub Total for amount paid in December				$12,583.37

EXPENSE ANALYSIS

PASTOR GENERAL EXPENSES - ACCOUNT $70

(g) Gifts

	Invoice Date	Recipient	Purpose of Payment		Amount
January 1976:	12/01/75	Lee-Mac	2 cameras & cases		$ 336.02
	12/17/75	Amex - Gotoh	Sato Photo Co. - Tokyo		516.06
	12/23/75	Polaroid	11 cameras with cases & film		2,324.95
				Sub-total for January	$ 3,177.03
February 1976:	12/23/75	Diners - Gotoh	Christian Dior - Paris		$ 635.46
	12/18/75	Diners - Gotoh	Siberian Fur Store - Kowloon		2,124.24
	01/15/76	Anfac	12 cases of flashbars		245.38
	01/10/76	Amex - Gotoh	K.K. Cosmo Tenchido - Tokyo		209.73
	01/03/76	Amex - Gotoh	Bernard's China - Nassau		309.05
	01/09/76	Amex - Gotoh	Sato Photo Co. - Tokyo		1,121.32
	01/08/76	Amex - Gotoh	Sato Photo Co. - Tokyo		245.13
	12/23/75	Amex - Gotoh	Cartier - Paris		1,560.78
				Sub-total for February	$ 6,451.09
March 1976:	01/24/76	Amex - Gotoh	Nassau Shop - Bahamas		$ 360.00
	01/25/76	Amex - Gotoh	Island Newsstand		156.00
	01/30/76	Amex - Gotoh	Sato Photo Co., Ltd.		1,138.00
	02/03/76	Lee Mac	Poloroid Cameras		2,646.00
	02/03/76	Lee Mac	Leather Carrying Cases		245.36
				Sub-total for March	$ 4,545.36
April 1976:	09/15/75	Diners - Gotoh	Christian Dior		$ 258.04
	02/04/76	Diners - Gotoh	Gucci - Paris		682.23
				Sub-total for April	$ 940.27

EXPENSE ANALYSIS

PASTOR GENERAL EXPENSES - ACCOUNT 570

(B) Gifts

	Invoice Date	Recipient	Purpose of Payment	Amount
June 1976:	06/14/76	Patek Philippe	Gifts - H.W.A. Purchase	$ 4,504.00
	05/08/76	Steuben Glass	Six Crystal Pillar/Griffins	12,020.00
				$16,524.00

EXPENSE ANALYSIS
PASTOR GENERAL EXPENSES - ACCOUNT 570

(C) Film & Film Processing:

	Invoice Date	Recipient	Purpose of Payment	Amount
July:	6/03/75	Lee-Mac Camera	Mr. Gotoh - 420 Rolls of Film & Bulbs	$1,583.64
	6/12/75	Lee-Mac Camera	Mr. Gotoh - 130 Rolls of Film & Bulbs	689.00
Sub Total for Amount paid in July				2,272.64
August:	7/21/75	Eastman Kodak	Mr. Gotoh - 36 Rolls of Film	$ 536.02
September:	8/29/75	Eastman Kodak	Film	346.67
	8/05/75	Eastman Kodak	Film	21.78
	8/07/75	Consolidated Film Ind.	Film Development - Asian Students	55.22
	7/30/75	Consolidated Film Ind.	Film Development - Asian Students	149.44
	8/04/75	Consolidated Film Ind.	Film Development - Asian Students	527.02
	8/25/75	Consolidated Film Ind.	Film Development - Asian Students	155.85
	7/22/75	Consolidated Film Ind.	Film Development - Asian Students	9.17
	8/07/75	Consolidated Film Ind.	Film Development - Asian Students	47.80
	7/22/75	Consolidated Film Ind.	Film Development - Asian Students	106.48
Sub Total for Amount Paid in September				$1,419.45
October:	9/03/75	Lee-Mac Camera	Color Processing	133.70
December:	9/03/75	Consolidated Film Ind.	Film Expenses for AICF	$ 193.65
	9/03/75	Consolidated Film Ind.	Film Expenses for AICF	16.92
	10/20/75	American Express	Osamu Gotoh - Photo Hall, Paris	56.02
	11/04/75	American Express	Osamu Gotoh - Sato Photo Co. Tokyo	1,911.51
Sub Total for Amount Paid in December				$2,178.10

EXPENSE ANALYSIS

PASTOR GENERAL EXPENSES - ACCOUNT 570

(D) Contracted Services

	Invoice Date	Recipient	Purpose of Payment	Amount
June 1976:	06/21/76	Gateway Publishers	World Activities of United Nations & Introduction to Egypt	$ 2,300.00
	06/21/76	Gateway Publishers	World Activities of United Nations & Introduction to Egypt	17,000.00
				$19,300.00

EXPENSE ANALYSIS
PASTOR GENERAL EXPENSES - ACCOUNT 570

(D) Contracted Services:

	Invoice Date	Recipient	Purpose of Payment	Amount
July:	7/08/75	Hans Quast	Brecht Translation Rights & Art Design - Polydor	$ 3,100.00
August:	8/20/75	Gateway	Advance to Guarantee Payment - Book on Hirohito	$24,750.00
September:	9/03/75	Hans Quast	Unicef - U.N. Record	$ 7,000.00
October	10/26/75	Sam Duncan	Photography for Japanese Documentary	$ 104.97
November:	11/30/75	San Duncan	Photography for HWA Banquet	$ 614.04
	11/20/75	WC Adjustment	TV - Audio Clip for Slide Presentation	24.50
	11/06/75	WC Adjustment	Tony Vanderleeden - Film Editing	20.00
	11/20/75	WC Adjustment	TV - Recording of AICF Performance	54.30
	11/20/75	WC Adjustment	TV - Use of Beethoven Recording at Recital	19.18
	11/06/75	WC Adjustment	TV - 2-min. Talk Show - KNXT; KFAC 1-min. Spots	2,088.00
Sub Total for Amount Paid in November				$ 2,820.02

EXPENSE ANALYSIS
PASTOR GENERAL EXPENSES - ACCOUNT 570

(E) Banquets:

	Invoice Date	Recipient	Purpose of Payment	Amount
July:	7/09/75	Worldwide Adv. - Gotoh	Tokyo, Geneva, Paris Trip (6/16 - 6/25)	$ 1,200.00
	7/09/75	Worldwide Adv. - Gotoh	Tokyo, Paris, Monte Carlo Trip (6/26 - 7/31)	3,400.00
Sub Total for Amount Paid in July				$ 4,600.00
August:	7/28/75	Worldwide Adv. - Gotoh	Jerusalem Banquet Set-Up Expense	$ 2,500.00
	8/06/75	Worldwide Adv. - Gotoh	Egypt, Israel & Orient (8/1 - 8/20)	2,200.00
	8/13/75	Peter Schanz	Champagne for HWA Social Center	300.00
Sub Total for Amount Paid in August				$ 5,000.00
September:	9/05/75	AC Food Service	Hors d'ourves for AICF Reception (8/27)	$ 100.00
	9/09/75	Worldwide Adv. - Gotoh	Trip: Tokyo, Bangkok, Austria (8/21 - 9/21)	3,200.00
	9/03/75	Worldwide Adv. - Gotoh	Jerusalem Party	1,120.00
Sub Total for Amount Paid in September				$ 4,420.00
October:	7/17/75	Am. Express - Gotoh	Jerusalem Hilton (No Backup)	$ 9,897.97
	8/08/75	Am. Express - Gotoh	Hotel Plaza Athenee Paris (No Backup)	12,416.93
	8/31/75	Am. Express - Gotoh	Imperial Hotel, Tokyo (No Backup)	13,735.74
	9/12/75	Am. Express - Gotoh	Munich, Germany	12,504.59
	9/11/75	Diners Club - Rader	Hotel Plaza Athenee, Paris	12,049.39
	7/12/75	Am. Express - Gotoh	Hotel Plaza Athenee, Paris	10,309.99
	7/17/75	Am. Express - Gotoh	Hilton - Jerusalem (Split Charge)	9,897.97
	10/09/75	Worldwide Adv. - Gotoh	Geneva, Paris, Dusseldorf trip - Banquets	4,100.00
	8/02/75	Am. Express - Gotoh	Hotel de Paris - Monte Carlo	22,261.52
Sub Total for Amount Paid in October				$107,174.10
November:	8/25/75	Am. Express - Gotoh	Imperial Hotel, Tokyo	$ 15,344.32
	11/01/75	Osamu Gotoh	Banquets: Japan, Jamaica, Thailand, India, etc.	3,200.00
	9/07/75	Diners Club - Balck	Tel Aviv Hilton, Israel	4,295.33
	10/09/75	Squires, Pasadena,	Wine for AICF Reception	337.95
Sub Total for Amount Paid in September				$ 23,177.60

EXPENSE ANALYSIS
PASTOR GENERAL EXPENSES - ACCOUNT 570

Banquets (Continued):

December	10/23/75	American Express	Osamu Gotoh - Hotel Plaza Athenee, Paris	$16,556.12
	10/29/75	American Express	Osamu Gotoh - Hotel Plaza Athenee, Paris	11,615.00
	10/29/75	American Express	Osamu Gotoh - Hotel Plaza Athenee, Paris	11,615.00
	11/01/75	American Express	Osamu Gotoh - Hotel Plaza Athenee, Paris	6,098.91
	11/05/75	American Express	Osamu Gotoh - Imperial Hotel, Tokyo	8,580.29
	11/02/75	American Express	Osamu Gotoh - Hotel in Bangkok, Thailand	3,774.86
	12/01/75	Osamu Gotoh	Banquet Expenses - Japan, Philippines, Thailand Iran, Switzerland	2,800.00
	12/31/75	Osamu Gotoh	Banquet Expenses - Bahamas, Japan, Korea, Israel, Egypt, etc.	3,800.00
Sub Total for Amount Paid in December				$64,340.18

EXPENSE ANALYSIS

PASTOR GENERAL EXPENSES - ACCOUNT 570

(E) Testimonial Dinners & Overseas Campaigns

	Invoice Date	Recipient	Purpose of Payment	Amount
January 1976:	12/17/75	Amex - Gotoh	Imperial Hotel - Tokyo	$17,261.74
	11/30/75	Amex - Gotoh	Plaza Athenee - Paris	1,819.20
	11/05/75	Amex - Gotoh	Sheraton - Jamaica	1,133.39
	11/07/75	Amex - Black	Rose Hall - Jamaica	5,359.60
	11/17/75	Amex - Gotoh	Sheraton - Jamaica	900.00
	11/15/75	Amex - Gotoh	Sheraton - Jamaica	1,287.34
			Sub-total for January	$28,261.27
February 1976:	01/20/76	Diners - Gotoh	Plaza Athenee - Paris	$ 1,859.47
	01/21/76	Amex - Gotoh	Plaza Athenee - Paris	14,063.22
	01/22/76	Amex - Gotoh	Plaza Athenee - Paris (adj. from January billing)	16,307.64
	12/27/75	Amex - Gotoh	Plaza Athenee - Paris	12,096.29
	12/18/75	Amex - Gotoh	Hotel in Hong Kong - name unknown	11,477.34
	12/18/75	Amex - Gotoh	Hotel in Hong Kong - name unknown	2,253.99
	01/24/76	Amex - Gotoh	Plaza Athenee - Paris	9,795.09
	01/16/76	Amex - Gotoh	Hotel in Switzerland - name unknown	4,059.33
	02/16/76	Barclays Bank, Int.	Cable for campaign expenses - Nassau	25,000.00
	02/27/76	A.C. Agency	Cable for campaign expenses - Philippines	10,000.00
			Sub-total for February	$106,912.37
March 1976:	02/01/76	Amex. - Gotoh	Imperial Hotel	$ 16,278.97
	04/02/76	Cable - Adair	Manila Campaign	3,100.00
			Sub-total for March	$ 19,378.97
April 1976:	02/13/76	Diners Club	Nassau	$ 12,876.84
	02/14/76	Diners Club	Nassau	18,412.12
	02/17/76	Diners Club	Nassau	8,302.50
			Sub-total for April	$ 39,591.46

EXPENSE ANALYSIS

PASTOR GENERAL EXPENSES - ACCOUNT 570

976

(E) Testimonial Dinners & Overseas Campaigns

	Invoice Date	Recipient	Purpose of Payment	Amount
June 1976:	05/13/76	Bank of America	Cairo Banquet expenses held in April	$ 3,152.00

EXPENSE ANALYSIS
PASTOR GENERAL EXPENSES - ACCOUNT 570

(F) Miscellaneous:

	Invoice Date	Recipient	Purpose of Payment	Amount
	8/27/75	AICF	40 House Seats per Concert	$65,440.00
September	9/27/75	AICF	4 House Tickets for 16 Series	3,840.00
	9/16/75	Osamu Gotoh	Cash Cable to London - Purpose Unknown	10,000.00
				$13,840.00
November	10/24/75	Les Ambassadeurs S.A.	Check Written by HWA	$ 368.00
	10/24/75	Les Ambassadeurs S.A.	Check Written by HWA	380.00
	11/19/75	Jascha Bistritzky	Cash to Mr. Bistritzky - AICF Board of Directors	2,500.00
	11/30/75	Osamu Gotoh	Cash Cable to Jamaica	15,000.00
Sub Total for Amount Paid in November				18,248.00
December	10/15/75	Carte Blanche	Osamu Gotoh - Food Tote (?)	$ 24.32
	10/17/75	American Express	Osamu Gotoh - Santory, Paris (?)	78.02
	10/25/75	American Express	Osamu Gotoh - Hermes, Paris (?)	3,012.29
	10/25/75	Diners Club	Osamu Gotoh - Hermes, Paris (?)	3,260.53
	11/12/75	Perinos	AICF Reception	7,238.13
	12/08/75	Air Wings Int.	Ship 12 Magazines to Mr. Rader in Hong Kong	26.50
	12/03/75	Air Wings Int.	Home Vidio Game Gift Sent to Mr. Gotoh - Tokyo	26.50
	12/16/75	Osamu Gotoh	Manila Campaign	12,000.00
	12/15/75	Gateway Publishing	Additional Expenses on Book About Japanese Emperor	12,300.00
	10/25/75	Jurgensens Groceries	AICF Reception per H.C.	399.38
	11/17/75	Bert Roberts	Bartender - AICF Reception	576.83
	11/14/75	Squires	AICF Reception - Liquor	88.80
	11/17/75	Gino Galileo	Bartender - AICF Reception	38.50
	11/10/75	Squires	AICF Reception - Liquor	850.67
	11/15/75	Paone Catering	Catering Service for AICF Reception	1,028.20
	11/17/75	Ed Aryoin	Bartender - AICF Reception	38.50
	11/17/75	Richard Melone	Bartender - AICF Reception	38.50
	11/15/75	Sven's Danish	Pastries for AICF Reception	111.42
	11/10/75	Squires	AICF Reception - Liquor	1,000.00

EXPENSE ANALYSIS
PASTOR GENERAL EXPENSES - ACCOUNT 570

Miscellaneous (Continued):

11/21/75	Krupnicks	Mrs. Rader - Banquet Equipment & Supplies Rental	$ 1,372.76
11/26/75	Lincoln Foods	Plastic Glasses for AICF	14.79
12/01/75	Carl Mannino	Caterer - AICF Reception	45.50
12/01/75	Don Allevato	Caterer - AICF Reception	32.50
12/01/75	Marc Ziegler	Caterer - AICF Reception	32.50
12/01/75	Mario Armato	Caterer - AICF Reception	32.50
12/01/75	Sam Ippolito	Caterer - AICF Reception	32.50
12/01/75	Rose Roberts	Caterer - AICF Reception	45.50
12/01/75	Iren Myernik	Caterer - AICF Reception	32.50
12/12/75	Robert Kuhn	Reimbursement for Two AICF Receptions	1,457.85
12/16/75	Paradise Island	Deposit for Campaign Facilities in Bahamas	1,000.00
Sub Total for Amount Paid in December			$46,235.79

EXPENSE ANALYSIS

PASTOR GENERAL EXPENSES - ACCOUNT 570

(F) Miscellaneous

	Invoice Date	Recipient	Purpose of Payment	Amount
February 1976:	02/13/76	W. C. Adjustment	Photograph Rader's Anniv. party at H. W. Armstrong's Home	$ 382.50
	02/27/76	W. C. Adjustment	Backcharge from Central Stores	1,272.00
			Sub-total for February	$ 1,654.50
June 1976:	04/20/76	Ambassador College BS	Doilies for Big Sandy Student dinners	$ 22.32
	04/20/76	Ambassador College BS	Flowers for Big Sandy Student Dinners	97.00
				$ 119.32

DECLARATION OF DAVID R. MORGAN

I, DAVID R. MORGAN, hereby declare as follows:

1. I have been a member of the Church since 1962, having been baptized in that year.

2. I am a licensed electrician. For seven and one-half years, from 1964 to 1972, I worked as an electrician for the Church on its projects full time, for one-half of the pay that an electrician would receive if he worked in private industry.

3. From 1962 to 1975, I also tithed, i.e., gave 10% of may annual income to the Church. Since that date, I have given 5% of my annual income to the church.

4. Many members of the Church put themselves through considerable hardships in order to finance its work. Many members of my acquaintance pay substantially more than 10% of their total income to the work of the Church. One example of self-denial on the part of the membership is that some ladies I am acquainted with, and for whom I used to mow the lawn on weekends as an act of charity, regularly fast once a week and give the money they save on food to the Church.

5. Despite the austere lifestyle that the members undergo to finance the work, I have observed numerous instances of waste and mismanagement of Church finances.

6. For example, while I was working for the Church as an electrician, I became aware that certain materials being used on an electrical installation that I was working on were far more expensive than were necessary for that job. I brought that fact to the attention of my foreman. He refused to do anything about it, so I brought the problem to the attention of his superior. That superior did not address himself to the issue that I raised, but rather gave me a dressing-down to the effect that, since my foreman had authority over me, I was to give

him unquestioning obedience, because all members of the Church are to obey without questions all commands from persons in authority over them.

7. On another occasion, I was instructed to install chandeliers in the personal residence of Herbert W. Armstrong, the Pastor General. Price tags were attached to the chandeliers when they were given to me for installation. While I can no longer remember the exact price, I recall that they cost substantially more than $5,000 each.

8. On another occasion, a work crew of electricians all of whom were Church employees spent more than a week working on a private house in Beverly Hills owned by Mr. Stanley Rader.

9. Based on my observations, the doctrine of unquestioning obedience has been imposed throughout the Church hierarchy.

10. None of the wasteful expenditure that I had an opportunity to observe as a full-time electrician was ever reported or disclosed by Church authorities to me or other members of the Church in our capacity as members. The financial information divulged to the membership has never contained sufficient detail to bring these matters to the attention of the members.

11. In all the years I have been associated with the Church as a member, I have never been given an opportunity to vote, nor have I ever voted, on any matter pertaining to the governance of the Church or any of its affairs, whether financial or ecclesiastical.

I declare under penalty of perjury that the foregoing is true and correct.

Executed this 26th day of December, 1978, at Beverly Hills, California.

/s/ David R. Morgan
DAVID R. MORGAN

DECLARATION OF ALVIN E. TIMMONS

I, ALVIN E. TIMMONS, hereby declare as follows:

1. I am one of the relators named in the within action. I make this declaration in support of the application of plaintiff in support of a temporary receiver and a temporary restraining order, and for a receiver and injunction pendente lite.

2. Since 1966, since I was baptized into the Church, I have been a member in good standing of the Worldwide Church of God.

3. I began attending services of the Church in approximately 1965. However, I began to tithe in 1959 (contributing one-tenth part of my annual net income), and I have made substantial monetary contributions to the Church in addition to the tithing.

4. For many years, I was engaged in business as a plumbing and heating contractor, and I have done a tremendous amount of work for the Church, all without cost or charge for my services: I installed the seats for the Church in a theater in Sacramento; I installed a commissary for the Church on Fair Oaks Avenue in Pasadena, investing approximately $20,000 to $30,000 worth of my time without charge, billing the Church only for the cost to me of necessary materials.

5. All of the money I have contributed was solicited by the Church and given by me, on the understanding that it would be used solely and exclusively to further religious work of the Church. This concept is constantly expressed in the Church publications which are distributed to the members. A typical example is the "Pastor's Report" for December 19, 1978, a copy of which is attached hereto, marked Exhibit A. In this report, in a section written and signed by Stanley Rader and Ralph Helge, reference is made to "the financial aspects of

God's Work;" ". . . God's money;" "God's tithe money;" and so on.

6. The passage to which I have referred in Exhibit A consists of an accusation by Rader and Helge against a former financial officer of the Church, Ray Wright, that he was permitted to accomplish "a misuse of God's tithe money." However, my own inquiries and investigations in recent weeks have led me to conclude that Rader and Helge, and other people in the Church, have been and are guilty of a continuous misuse of God's tithe money.

7. Although I have been a member of the Church for thirteen years, I have never been asked to vote or given an opportunity to vote on any matter pertaining to Church governance, or to its financial and business affairs. To the best of my knowledge, no member has ever been given an opportunity to vote on any such matter.

8. Likewise, the Church has distributed little or no financial information about its receipts and expenditures, or about its assets and liabilities, during the years I have been associated with the Church. It is true that, from time to time, *oral* financial reports were given by Mr. Armstrong and Mr. Rader to members assembled at conclaves held by the Church in connection with the Feast of Tabernacles. However, only a tiny fraction of the members were present at these meetings, and the results were not published or dessimanated in any of the numerous publications issued by the Church. More recently, written reports have been disseminated over the signature of Stanley Rader. However, these reports are made in such form, and at such times, as to be virtually useless. For example, the Church publishes a newspaper entitled "The Good News." In the issue for Monday, September 25, 1978, a "Treasurer's Report" was included, over the signature of Stanley R. Rader, purporting to show the income and expenditures for the year ended

December 31, 1977. Six weeks later, on November 6, the paper published what purports to be a balance sheet for the Church and Ambassador College (combined) at December 31, 1977. Copies of these reports are attached hereto, collectively marked Exhibit B. However, neither of these reports provides any meaningful information. Rader describes them as having been audited and certified each year "by an independent firm of certified public accountants;" but the accountants are not identified, and their signature does not appear. The operating statement apparently relates only to the Worldwide Church of God, while the balance sheet relates to the Church and Ambassador College combined. The categories of expenditures are so broad as to be meaningless: "International Expenses, $15,867,700;" "Personal Worldwide Evangelism—Campaigns and Overseas Visits, $2,738,500."

9. Except for these partial and scanty reports in recent months, the Church does not distribute or disseminate any financial information to the members, and does not make it available on request.

10. I have, however, been able to obtain certain materials from personnel currently or formerly in the employ of the Church, which contain information about the Church's finances. One of these documents is entitled "Pastor General Department, Report of Expenditures, July 1, 1975, through June 30, 1976," which is attached as Exhibit B to, and authenticated by, the declaration of Benjamin Chapman, a former board member of the College. I have also obtained a copy of an internal accounting document of the Church, entitled "Executive Expense Analysis" for March 3, 1978, a copy of which is attached hereto, marked Exhibit C. These items show immense expenditures for Mr. Rader, Mr. Armstrong, Mr. Gotoh, Mr. Cornwall, and other Church officers and executives, for luxury items of vast expense.

11. I have also obtained a copy of a letter, dated July 24, 1978, from Stanley R. Rader to Garner Ted Armstrong (a former officer of the Church and son of Herbert W. Armstrong, the Pastor General), in which Rader makes elaborate offers of compensation and other benefits in exchange for a promise by Garner Ted Armstrong that he will not reveal the internal financial affairs of the Church. A copy of this letter is attached hereto, marked Exhibit D.

12. The revenues of the Church depend to a large extent on contributions solicited by radio and television broadcasts. Some months ago, a dispute arose between Garner Ted Armstrong on the one hand, and his father and Stanley Rader on the other. As a result of this dispute, Garner Ted Armstrong was "disfellowshipped" (i.e., expelled from membership in the Church) by his father, and no longer participates in the Church's programs. Since that time, many television stations have become dissatisfied with the programming materials supplied by the Church, and have notified the Church that they no longer wish to carry its program materials. I have obtained a copy of a letter from All-Canada Radio and Television Ltd., dated October 12, 1978, which reflects this problem. A copy of this letter is attached hereto, marked Exhibit E.

13. Much of the information I have obtained in recent weeks comes from persons who are employed full time by the Church, and who have asked me to keep the source of my information confidential, because they are afraid to lose their jobs. However, I can and will identify them, if called upon by the Court to do so. These people have advised me that many of the Church's records, particularly those pertaining to executive compensation and expense accounts, and to transactions between the Church and various entities owned or controlled by Rader, have been removed from the Church's main

office in Pasadena to the suite of offices maintained by Rader and his law and accounting firm (and his affiliated companies) in Century City. I have also been advised that many records are being mechanically shredded or destroyed.

14a. I have recently learned that many properties which have been owned by the Church for a long time have recently been sold and converted into cash. As indicated in the declaration of my wife, Shirley Timmons (being filed concurrently herewith), the Church has sold many parcels of property in the last year. I am generally familiar with real estate values, and I believe they were sold for substantially less than their market value. For example, Ambassador College sold a residence to Stanley Rader in September for $225,000, which was described in a *People Magazine* article on November 20, 1978, as a $300,000 Pasadena home, complete with a Porsche and an Aston Martin in the driveway."

14b. The principal liquidation effort, however, does not relate to properties in California, but rather to a large facility owned and operated by the Church in Big Sandy, Texas. This facility consists of 1,600 acres, and includes a complete college campus and Church retreat, with all appropriate buildings and structures, including 330 buildings, twenty-five houses, a 16,000-seat convention, a sixty-acre lake, a nine-holf golf course, a landing strip, airplane hangar, four large dormitories, and gymnasium-auditorium seating 3,500. Recently, the management of the Church announced that the Church was selling the Big Sandy facility for 10.6 million dollars to a Texas businessman, named F. William Menge, who was allegedly given it to the James Robison Evangelistic Association. This event was publicly reported in the Baptist Press, with the comment that Robison's associates placed the property's value at between $30,000,000 and $50,000-000." A copy of an article from the Los Angeles Times for November 4, 1978, referring to these matters is attached hereto, marked Exhibit G.

15. On Sunday, December 17, 1978, an article appeared in the *Corpus Christi Caller*, a publicly distributed newspaper in Corpus Christi, Texas, under the heading, "Road to Roloff's New Paradise Proves Rocky." In this article, a copy of which is attached hereto, marked Exhibit G, the newspaper declares that the property is going to be given by Menge, not to Robison, but to one Lester Roloff, another evangelist, indicating that the "gift" may be part of some tax-saving scheme on the part of Menge, the businessman who is actually purchasing it. Among other things, the article declares that "the price is a steal. For a mere 10.6 million dollars, Roloff Evangelistic Enterprises is getting a piece of property recently appraised at close to $30,000,000, and according to one real estate agent, couldn't be reproduced for less than $50,000,000."

16. While I am not intimately familiar with current real estate values in Texas, I have visited the Big Sandy facility, and am familiar with its physical characteristics. I also am familiar with construction costs from my experience as a contractor. In my opinion, the Big Sandy facility is worth very much more than the reported sale price of $10,600,000, and also very much more than the sum of $8,400,000 attributed to it by Rader in his recently published "balance sheet." Furthermore, the Big Sandy facility is of a special significance to the membership, because it one of the few facilities which is owned by the Church and which is suitable for use for conclaves and other religious gatherings.

I declare under penalty of perjury that the foregoing is true and correct.

Executed this 27th day of December, 1978, at Beverly Hills, California.

/s/ Alvin E. Timmons
ALVIN E. TIMMONS

A. TIMMONS—A

PASTOR'S REPORT

PUBLISHED BY THE WORLDWIDE CHURCH OF GOD

Vol. 2, No. 47 Pasadena, California December 19, 1978

CLEARING THE AIR ON A SERIOUS RUMOR

We regret that it is necessary to advise you of another problem we have uncovered.

Let us first say that it is not God's way to accuse. It is not God's way to make public accusations against an individual. God's way is to forgive when a person repents and to cover the wrong. This is what we tried to do.

However, sometimes it is necessary to bring up facts when a failure to do so will perhaps lead some people to fall away from God's Truth. It is to protect the flock that we bring you this information.

Ted Armstrong has been disseminating false and defamatory rumors designed to destroy this Work. The latest accusation concerns Mr. Ray Wright and the financial aspects of God's Work. To save some of the brethren, who may be weak in the faith, from falling away due to not having all the facts, we must again set the record straight.

These are the facts: Ted Armstrong, when he was serving in the office of Executive Vice President of the Church and President of the College, was the direct overseer of of God's money. He authorized a member of his staff, Mr. Raymond Wright, to misuse monies that the faithful members of God's family had contributed. And, so none of you will doubt, we have that written authorization in our possession.

Ted Armstrong authorized Mr. Wright to pay secretly, out of Church funds, God's money to a private corporation owned by Mr. Wright and Robert Kuhn in Texas. Ted Armstrong's act of authorizing such payment of Church funds laid the foundation and permitted a greater misuse of God's tithe money in subsequent months.

In spite of the clandestine procedures involved, the scheme was uncovered during an audit by Mr. Jack Kessler, and others on the internal auditing staff.

But there is good news in the final analysis. The experience has served to prove the effectiveness of God's auditing procedures and we are pleased to report that by virtue of swift legal action having been taken, God's Work has been able to either recover God's tithe money or obtain adequate assurance of its repayment.

The two men still in God's Work have repented of their involvement in this matter. And when a man repents of his sins God forgives him of the spiritual wrong. He separates his sin as far as East is from the West and he stands clean and forgiven before God.

As the scripture reads, if we do not forgive our brethren once they have repented, then God will not forgive us for our sins (Matt. 6:14-15). Therefore, let us now forgive and forget the matter as to those who remain faithful to God's Work, and go on and defend the Work in renewed faith against those that Satan is using in an attempt to destroy it through every possible means available.

Stanley R. Rader
Ralph K. Helge

FURNISHING INFORMATION REGARDING FALSE AND VILE ACCUSATIONS

It has come to our attention that among other means GTA has now started what appears to be a telephone calling campaign in an attempt to destroy the faith of some members. He is making not only false but vile accusations against the brethren.

It is clear that God holds the Church responsible for preserving the flock; that the Church has a duty to prevent the flock from being led into tribulation or eternal death.

The Church has now had to determine what is the most effective means of protecting the flock from this Satanic attack of false and vile accusations. It has been concluded that refuting each false and vile rumor is not in all cases an adequate means of carrying out its solemn obligation.

The Church has now determined that in order to adequately discharge its duty to preserve the flock, the Church must and will file suit against GTA or his associates under the appropriate circumstances, in order to stop the physical source of the rumors. Such action will be taken against any person who would lend themselves as an instrument of Satan to destroy the flock.

Ted Armstrong has not only been disfellowshipped but is likewise spreading false doctrine or doctrine which is false as applied. Therefore, in the first instance the brethren should not be receiving calls or any other communications from him or his associates (II Jn. 10, Rom. 16:17).

If, however, for any reason such communications have been received in the past or, for any reason are received in the future, the Church is now requesting that all such communications be forwarded to the Church's

legal office. As we can assume that a countermeasure Satan would inspire at this point would be to temporarily suspend the false and vile accusations, or to contact people to whom they were made and request that they alter the accusations that were told or not respond to this request.

Therefore, we would emphasize the importance of furnishing information regarding accusations already made as well. Further, we would call to the attention of all the brethren, ministers and members alike, of the spiritual obligation imposed upon the Christian of coming forth as a witness with any facts he knows or has heard of (Lev. 5:1).

Therefore, each and every person who has or does receive a letter or telephone call or any other type of communication, from GTA, or any of his associates, making accusations against God's Church is now being asked to forward the following information regarding the matter to the Church's Legal Office:

> Please include the approximate date of the communications, who was involved in the communication, and exactly what was said. If the communication was in writing or taped, please forward a copy.

If it would appear that some of the brethren are likely to fall away by virtue of certain false and vile accusations, and that simply refuting them will not appear likely to prevent this injury, then with this information appropriate action can and will be taken.

So there is no misunderstanding brethren, it must be understood that if legal action is taken, it is not for the purpose of vengeance but simply to discharge the Church's duty to preserve the flock. Further, if the issues were only matters of doctrine, then it would be left to the ministry to carry out one of their primary

duties to protect the flock by refuting and stopping the mouth of the gainsayer.

This reporting requirement should be considered as being in addition to any other reporting obligation to any other person or department you may have presently.

Stanley R. Rader
Ralph K. Helge

FROM PASTORAL ADMINISTRATION

Dear Fellow Ministers:

Greetings from cool, rainy Southern California. Our weather has been terribly wet for the past several days, but I know that most of you would consider that a vast improvement over the bitter cold and major snowfalls that have been the lot of so many in the western, central and northern parts of the U.S.A. and Canada. Hopefully, most of you will be able to thaw out a little during the coming January conference.

I am sure that the ministerial conference is very much on everyone's mind at this point, and most of your travel plans have already been finalized. I again want to encourage all of you to use the time we'll be spending together to work on recapturing the camaraderie, the teamsmanship and the genuine brotherly love in the ministry we once had. If enough of us want it and enough of us will practice that kind of mutual esteem and respect towards each other, in addition to our driving devotion and commitment to this Work, then we cannot fail in the task the living Christ has given to us.

In the recent past, several of you have invited me to come into your areas for a church visit, spending some time with the brethren and perhaps getting together with the area ministers for meetings and a social activity or

two. I do want to express my sincere appreciation for all of these invitations. It is my sincere hope and firmest intention to be able to work as closely as possible with all of you, and as circumstances permit I'll try to accept whatever invitations I can, without neglecting any aspect of the Work under my charge as I assist Mr. Armstrong in the duties of Pastoral Administration internationally.

Unfortunately, there are times when I just can't make it out there because of the many demanding activities here at Headquarters. The "spirit is definitely willing," but it isn't always possible to travel and visit as I'd like. But, I promise I'll keep on trying.

At the risk of appearing repetitious, I do want to again express my personal gratitude for the encouraging example set by so many of you through the various trials, traumas and problems that have come our way over the past few months. Your faith, common sense, courage and commitment to this Work of God will not go unnoticed by God who is very much aware of our reactions and attitudes, when we're under pressure or when difficult times come. Only God knows our hearts and it is He who will some day recognize and evaluate the fruits of our lives and we will be rewarded accordingly.

Thanks again for your letters and memos. I look forward to talking with all of you somewhere along the line. Warmest regards to your wives, families and the brethren in your local area.

Sincerely, in Jesus' name,
C. Wayne Cole

MAIL PROCESSING CENTER UPDATE

Mail Summary: Mail for this December is exceptional. Although our mail count for the year is down slightly when compared with last year, mail for the month is *up* 57%! Many things are contributing to this good mail flow: renewals to The PLAIN TRUTH are coming in at about 2,000 a day; requests for Mr. Armstrong's book, *The Incredible Human Potential*, have come in very well; and other mailings to subscribers are producing a good response—which all adds up to keeping MPC employees very busy. Mail for the year now stands at about 1,766,000 pieces.

"Modern Romans" TV Spot Ad Still Proving Fruitful: Last month we mentioned some of the good results which have come from the series of "Modern Romans" TV spot commercials which were run during the summer. As it happens, there is still more good news to report:

The first two *new members* resulting from these commercials were recently baptized! As far as we know, these two new people had no knowledge of the Church or our Work until they heard the "Modern Romans" spot ad. And, although only a few months time has elapsed during which they could read The PLAIN TRUTH and other biblical literature, they apparently soon came to see where God is working, were convicted by God's Spirit, and were baptized. Even though the numbers are not large to begin with, this is still *good fruit.*

Twenty-one new Co-workers have also resulted from the "Modern Romans" commercials. And the original count of 98 Donors has now grown to 268. The PLAIN TRUTH response has also been excellent. Over 20% of all the people who came to file through these spot ads have responded to request The PLAIN TRUTH.

"Hats Off" for a Job Well Done: In closing, we want to express our sincerest gratitude to Dexter Faulkner and the

staff of the GOOD NEWS and "Worldwide News" for the *excellent* service and help they have given to Subscriber Development. Their contribution in producing the "Co-Worker Newsletter" and "Sermon Summaries" have been MUCH appreciated!

—Richard Rice, Mail Processing Center

PUBLISHING SERVICES UPDATE

Los Angeles Airport is overcast and it's raining as I sit and write this report in the airport lobby. I'm doing this now so I can phone it in to Richard Sedliacik in order to meet the Monday noon Pastor's Report deadline. We just got off a National Airlines flight from New Orleans where a few of us teamed up from Publishing and Pastoral Administration to hold a workshop-type seminar over the weekend. The seminar was held with a group from the New Orleans and Baton Rouge churches.

The purpose of the seminar was to find out if local church members are interested in becoming involved in the promotion and handling of Quest magazine through newsstands, bookstores, businesses, etc. in their local area. And to show how Quest is benefiting the Work in the outside world plus get feedback in general from members.

Everybody felt the weekend was a great success and thanks to men like Mr. Jim Chapman, Mr. Jim Servidio, and Mr. Karl Beyersdorfer, everything went smoothly. It was both inspiring and exciting to meet new people in God's church and make some new friends. We have planned a few more fact-finding weekends. The next one is in Cincinnati on January 7th. All being well, we will present our preliminary findings at the conference in January.

This was a team effort where Publishing and Pastoral Administration worked on a project of benefit to both

areas and the church. Special thanks to Art Mokarow, John Halford, Diane Gilchrist, John Kossey, and other people in Pasadena who made the first session so successful.

—Roger Lippross, Publishing

ON THE WORLD SCENE:
THE BREAKTHROUGH TO CHINA

Following an intensive 72-hour flurry of secret diplomacy, President Carter stunned the world on Friday evening, December 15 with a terse televised announcement that the United States and the People's Republic of China had agreed to establish diplomatic relations as of January 1, 1979.

At the same time, Hua Kuo-feng, China's Premier and Communist Party Chairman read the joint communique to about 100 Western and Chinese reporters in Peking—and afterwards held an unprecedented news conference.

Coincidental with the new agreement, U.S. ties with the Nationalist Chinese government on Taiwan are to be terminated on the same date, with the special defense treaty between the two nations playing out a year later (terms of the treaty stipulate that it can be terminated one year after either party notifies the other of its intent to do so.)

Reaction in Taiwan was, predictably, one of anger. And Nationalist China's thinning ranks of supporters in the U.S. Congress were outraged. Senator Barry Goldwater termed the switch from Taipei to Peking "one of the most cowardly acts ever performed by a President of the United States." He vowed to sue Mr. Carter over the abrogation of the defense treaty. Even some Senate liberals were dismayed that the President took the big leap while Congress was in recess—in full realization

that earlier in the year the Senate has passed a 94-0 resolution demanding advanced consultation on the Taiwan defense treaty issue.

Reaction around the world, however, was generally positive, from U.S. allies in Europe, to Japan, Singapore, Thailand, even South Korea. The shock was not that it happened—the U.S. had been seeking such a relationship ever since President Nixon's ice-breaker trip in 1972—but that the final stage toward recognition moved so swiftly. Only in Israel was the reaction basically negative, the mood there reflecting the feeling that if the United States could so easily jettison a loyal alley, and an iron-clad defense treaty with it to boot, then how reliable were U.S. defense commitments to Israel?

How did the on-again-off-again negotiations between Washington and Peking come to a head so quickly? According to the December 25 issue of *Time* magazine:

"On September 19, Carter prodded the Chinese at his first formal meeting with Ambassador Ch'ai [China's envoy in Washington] at the White House by again laying out his terms for normalization: Peking must allow the U.S. to keep its economic and cultural ties with the Nationalist Chinese and agree, at least tacitly, not to reunite Taiwan with the mainland by force. The Chinese began dropping strong hints that they were getting ready to accept the U.S. terms. In late November, for instance, Teng told a visiting Japanese delegation that diplomatic relations with Tokyo had been restored 'in one second' and that relations with Washington could be restored in 'two seconds.' In diplomacy, a second can be the equivalent of a week, and, in fact, the final stage of the bargaining took only two weeks."

Teng also started saying, apparently for American consumption, that Peking was willing to be very patient over the Taiwan issue, even if it would take a generation

or two or more to reach an amicable solution. In the meantime, the Peking leadership, he stresed, was not against Taiwan retaining its economic and social system. "China has no intention of bringing down Taiwan's living standards," said Teng on one occasion.

In an attempt to keep face, China refused to place such peaceful intentions in writing in the joint communique, lest it appear that a foreign power (the U.S.) were dictating the terms of what China considers an "internal dispute." China did not like, but agreed not to contest, either the one-year retention of the U.S.-Taiwan defense treaty or the U.S. position that it could continue to sell Taiwan defensive military equipment even after January 1, 1980.

Washington felt that for the short-term at least, perhaps till the end of the century, heavily-armed Taiwan faced no immediate threat for three reasons: 1.) Mainland China lacks the offensive capacity to overrun the island fortress 120 miles across the Taiwan Straight in what would surely be a terribly costly assault anyway; 2.) China is tied down facing the Soviets along their long mutual border, and 3.) With Peking's new breakout to Japan, the U.S. and the rest of the West, and her determination to modernize swiftly, a bloody showdown with Taiwan, and resulting possible estrangement from her new allies, was out of the question.

Chinese politics can be extremely volatile but the United States is gambling that the "progressive" forces now in charge of Peking will continue to rule for the foreseeable future.

On China's part, the men in Peking want to more fully tap the technological prowess of America in their modernization drive. They had been saying all along that this was possible in its fullest extent only with diplomatic relations. It could be possible also that the Chinese played

a bit upon Mr. Carter's own frustration in foreign relations by grasping the olive branch when they did: after the collapse of the Middle East peace offensive the President was certainly eager to claim a victory elsewhere.

There are two major consequences of America's new open door to China that should be considered. The first deals with the impact upon the Soviet Union, and, in turn, the Soviets' relations with Europe. UPI reported the following on December 16:

"Formal diplomatic relations between the United States and China will make some Soviet military leaders see Peking as a bigger threat, and may result in an increased build-up of Russian troops on the border between the two nations. Some senior American officers see that type of Russian military diversion as not such a bad thing for the United States' NATO alliance.

"While China's armed forces are no match for the military power of the Soviet Union, U.S. sources familiar with Soviet thinking say that makes little difference in the minds of Russian officers. According to a senior U.S. officer acquainted with Soviet generals, *'Their nightmare is a Chinese attack on a second front if they become involved in a European war.'*

"The Soviet Union now spends an estimated 20 percent of its annual military budget of around $140 billion on its Far Eastern military establishment. While its new SS-20 medium range nuclear missiles are aimed primarily at Europe, launch sites already have been prepared facing China. More than 40 Soviet army divisions are stationed along the Sino-Soviet frontier. That compares to about 70 targeted against NATO nations. There are others deep inside Russia that could be used on either front."

The Soviet Union's paranoia over China has been undoubtedly increased by the new venture by Washington,

even though the U.S. disavows the move as being anti-Soviet. Will this increase the chances of a Moscow overture toward Western Europe, especially Germany?

Secondly—and most important—the remarkable breakthrough between Washington and Peking could very likely increase the oportunity of the fulfillment of Matthew 24:14: "And this gospel of the kingdom shall be preached in all the world for a witness unto *all* nations; and then shall the end come."

Up until now, one-fourth of humanity has been effectively blocked off from the gospel anouncement. It is Christ who sets before this Church in this age "an open door." Is He the one who is really behind China's remarkable new Open Door to the West and the U.S.? The new year may tell.

—Gene H. Hogberg, News Bureau

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WORLDWIDE CHURCH OF GOD/AMBASSADOR COLLEGE
BALANCE SHEET
December 31, 1977

Assets	Total 12-31-77	Percentages	
Current assets:			
Cash and Certificates of Deposit	$ 2,307,800		2.8
Short-term investments	157,300		.2
Receivables, current	784,300		1.0
Inventories and prepayments	1,614,800		1.9
Total current assets.	$ 4,864,200		5.9
Plant assets, net (Note 1)	61,233,000		74.3
Capital leases, net	2,475,300		3.0
Plant assets held for sale (Note 1)	8,400,000		10.1
Ambassador College, United Kingdom (Note 2)	3,979,100		4.8
Noncurrent receivables	1,562,500		1.9
Deposits	1,200		
Total assets	$83,025,300		100.0
Liabilities and Fund Balances			
Current liabilities:			
Accounts payable	$ 1,652,200	7.5	2.0
Accrued liabilities	481,500	2.2	.6
Current portion of long-term debt	2,973,500	13.5	3.6
Current portion of obligations under capital leases	358,000	1.6	.4
Deferred amounts	280,400	1.3	.3
Other current liabilities	205,700	1.0	.3
Total current liabilities	$ 5,951,400	27.1	7.2
Long-term debt (Note 3)	13,176,700	59.9	15.9
Obligations under capital leases	2,819,200	12.8	3.4
Deposits owed to students and others	31,100	.2	
Total liabilities	$21,982,400	100.0	26.5
Fund balances:			
Available for current use	3,800,500		4.6
Invested in AC UK and plant assets of discontinued operations held for sale	12,379,100		14.9
Net investment in plant	44,860,900		54.0
Total fund balances	$61,040,500		73.5
Total liabilities and fund balances	$83,025,300		100.0

NOTES TO FINANCIAL STATEMENTS.

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BALANCE SHEET

In the Sept. 25 edition of *The Good News*, a Statement of Income and Expenditures with accompanying charts was published. Since it is customary that a Balance Sheet accompany the foregoing statement, the following combined balance sheet of the Worldwide Church of God and Ambassador College for the year ended Dec. 31, 1977, is presented. This statement, however, includes only our United States operations.

The combined Balance Sheet was derived by combining financial information contained in the certified individual Balance Sheets of the Worldwide Church of God and Ambassador College.

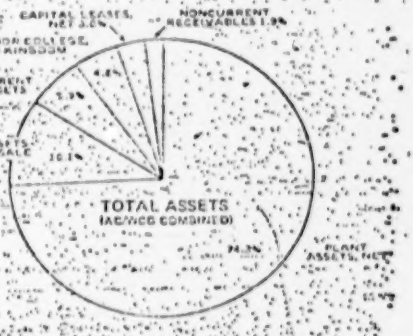
On behalf of Mr. Herbert W. Armstrong, we want to express our deep and sincere appreciation for your continued support of God's Work.

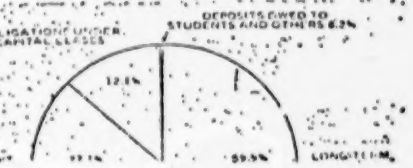
Treasurer

DWIDE CHURCH OF GOD

CHURCH OF GOD/AMBASSADOR COLLEGE
BALANCE SHEET
December 31, 1977

	Total 12-31-77	Percentages
of Deposit	$ 2,302,800	2.8
	157,300	.2
	794,300	1.0
ayments	1,614,800	1.9
assets	$ 4,873,200	5.9
1)	61,713,000	74.3
	2,475,300	3.0
le (Note 1)	8,400,000	10.1
ed Kingdom		
	3,979,100	4.8
	1,587,500	1.9
	1,200	
	$83,035,300	100.0
of Balances		
	$ 1,857,200	7.5 2.2
	481,500	2.2 .6
ng-term debt	2,873,500	13.5 3.6
bligations under		
	358,800	1.6 .4
	280,400	1.3 .3
ities	205,700	1.0 .3
liabilities	$ 6,056,600	27.1 7.4
	13,176,700	59.9 15.9
al leases	2,819,700	12.8 3.4
rs and others	31,100	.2
ties	$22,084,100	100.0 26.7
t use	3,800,500	4.6
d plant assets		
erations held		
	12,375,100	14.9
ent	44,840,900	54.0
lances	$57,010,500	73.5
ties and		
ds	$83,035,300	100.0





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Fund balances:		
Available for current use	$3,800,500	4.6
Invested in AC UK and plant assets of discontinued operations held for sale	12,379,100	14.9
Net investment in plant	44,660,900	54.0
Total fund balances	$61,050,500	73.5
Total liabilities and fund balances	$83,025,300	100.0

NOTES TO FINANCIAL STATEMENTS

Note 1

PLANT ASSETS

At Dec. 31, 1977, the book value of plant assets other than those held for sale as a result of the discontinuance of operations at the campus in Big Sandy, Tex., are as follows:

Land and improvements, net	$ 9,396,100
Buildings and improvements, net	39,376,000
Business aircraft, net (G II and Cessna Citation)	2,915,900*
Equipment and furnishing, net	6,790,000
Library books	1,237,100
Vehicles, net	1,407,200
Construction in progress	349,500
Leasehold improvements, net	241,200
Total	$61,713,000

Plant assets located at the campus in Big Sandy are presented below:

Land and improvements	$1,092,100
Buildings and improvements	6,044,100
Equipment and furnishings, net	910,500
Library books	263,100
Vehicles, net	66,700
Aircraft, net	23,500
Total	$8,400,000**

*One Gulfstream G aircraft actually purchased in June and has a market value in excess of $5 million. The Cessna Citation has subsequently been sold.

**Our estimated market value of the Big Sandy campus is in excess of $10 million.

Note 2

AMBASSADOR COLLEGE, UNITED KINGDOM

The Ambassador College real property in the United Kingdom has been sold for an amount in excess of $4 million.

Note 3

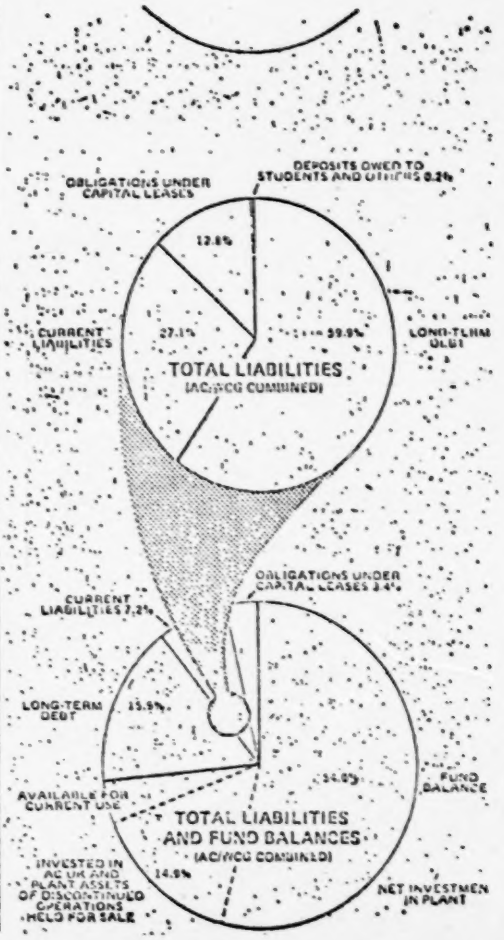
LONG-TERM DEBT AND CREDIT AGREEMENTS

Long-term debt, excluding the portion due within one year, outstanding at Dec. 31, 1977, is as follows:

Mortgages payable:	
Ambassador Auditorium	$ 5,807,600
Student center, parking structure	1,178,200
Press and transportation buildings	1,163,800
Hall of Administration	650,500
Grove Terrace — student dorm	431,300
Other buildings	2,169,100
Total mortgages payable	$11,400,500
Loans payable	1,776,200
Total mortgages and loans payable	$13,176,700

CREDIT AGREEMENT

The Church's principal bank line of credit agreement provides for loans of up to $4.3 million as follows: $1 million unsecured line of credit to support cash flow, interest at prime; $2 million unsecured construction line of credit, interest rate at prime plus one-half percent, repayable at $75,000 per month plus interest; $1.3 million secured motor-vehicle-fleet line of credit, interest at prime plus three-fourths percent.



1966 TO 1977 WENT TO 1 OF 1 — GIVEN
NO FINANCIAL REPORT (ONLY OFFERINGS) TAKEN UP AT FEAST

WORLDWIDE CHURCH OF G

TREASURER'S REP(

In prior years Mr. Herbert W. Armstrong traditionally published an annual report to the brethren at the Feast of Tabernacles. Because of the large number of Feast sites around the world it is now impossible to make such a presentation.

Many have indicated that this information would be of general interest to the brethren and co-workers. Therefore, we are publishing this report in the pages of *The Good News* along with a brief explanation of certain key factors.

The Work's financial statements are audited and certified each calendar year by an independent certified public accountant. The following report was excerpted from the financial statements, which are prepared in conformity with generally accepted accounting principles and fairly represent the results of operations for the calendar year ending Dec. 31, 1977. This report includes the international aspects of the Work as well as all allocations to Ambassador College, *Quest/77* and other special projects.

This Work is viewed with highest regards by our

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WORLDWIDE CHURCH OF GOD

STATEMENT OF INCOME AND EXPENDITURES

Year Ended December 31, 1977

	Total	%
SUPPORT AND REVENUE:		
Tithes, Offerings and Contributions	$36,812,700	57.8
Festival Fund	1,467,300	2.2
Church Assistance Fund	3,222,400	4.8
Building Fund	707,500	1.1
Holy Day Offerings	7,058,300	10.5
Donated property and estate donations	199,300	.3
International Income	14,414,000	22.2
Other Income	731,400	1.1
Total support and revenue	$67,101,300	100.0
EXPENSES:		
Program activities:		
General worldwide evangelism, campaigns and overseas visits	$ 2,758,500	4.0
Media — radio and television, printed literature production	4,000,200	5.9
Publishing and editorial	5,476,900	8.1
International expenses	15,567,700	23.2
Ministerial expenses	14,388,700	21.0
Ambassador College, Pasadena	9,444,700	14.4
Ambassador College, Big Sandy	2,925,300	6.4
Investment in *Quest/77*	3,464,600	5.0
Cultural, educational and humanitarian projects	[illegible]	.9
Total program services	[illegible]	75.9
Supporting services: General and administrative	6,610,300	11.1
Total expenses	[illegible]	100.0
Excess (deficiency) of support and revenue over expenses	([illegible])	

RLDWIDE CHURCH OF GOD

ASURER'S REPORT

...and ... each calendar year by an indepen... ...accountants. The following report was excerpted from the financial statements, which are prepared in conformity with generally accepted accounting principles and fairly represent the results of operations for the calendar year ending Dec. 31, 1977. This report includes the international aspects of the Work as well as all allocations to Ambassador College, *Quest/77* and other special projects.

This Work is viewed with highest regards by our major lending institutions, and we are continuing to meet our financial obligations on a consistent and timely basis.

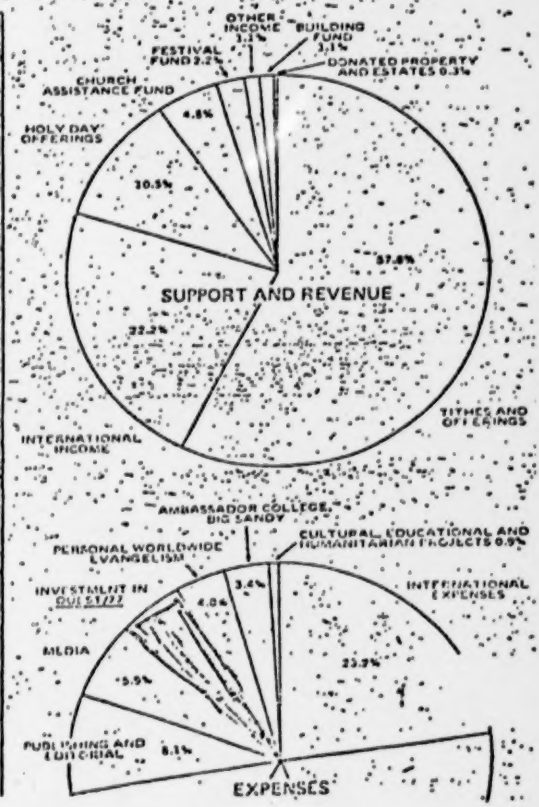
Mr. Armstrong wishes to express his appreciation for your continued prayers and loyal financial support.

Treasurer

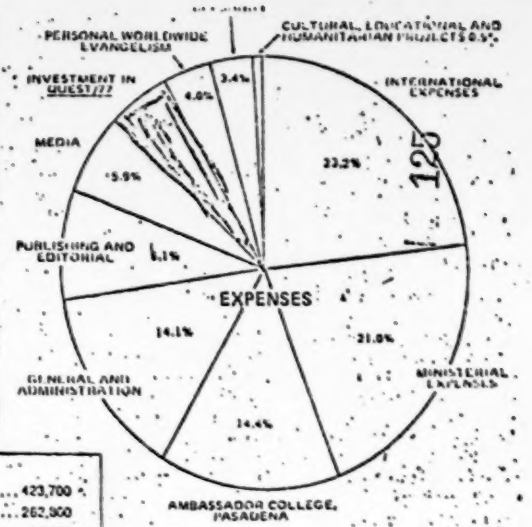
CHURCH OF GOD

...ME AND EXPENDITURES
...ecember 31, 1977

	Total	%
	$35,812,700	57.8
	1,467,300	2.2
	3,000,000	4.8
	707,500	1.1
	7,000,000	10.5
	100,000	.3
	14,514,000	22.2
	751,000	1.1
	$67,161,300	100.0
	$ 2,700,000	4.0
	4,000,000	5.9
	5,476,500	8.1
	15,127,700	22.2
	14,344,700	21.0
	9,644,700	14.4
	2,305,000	0.4
	3,464,600	5.0
	[illegible]	[illegible]
	56,700,000	83.9
	9,610,000	14.3
	$66,400,000	100.0
	($ 1,338,700)	



Line and production	4,000,200	5.9
Publishing and editorial	5,476,500	8.1
International expenses	15,857,700	23.2
Ministerial expenses	14,388,700	21.0
Ambassador College, Pasadena	9,814,700	14.4
Ambassador College, Big Sandy	2,315,300	0.4
Investment in Quest/77	3,404,000	5.0
Cultural, educational and humanitarian projects	625,100	.9
Total program services	58,750,300	85.9
Supporting services:		
General and administrative[3]	9,670,200	14.1
Total expenses	$68,420,500	100.0
Excess (deficiency) of support and revenue over expenses[4]	($ 1,250,200)	



NOTES ON THE STATEMENT OF INCOME AND EXPENDITURES

[1]BASIS OF REPORT

Revenue and expense figures were taken from the certified financial statements. In addition figures were obtained from all international operations and added to the certified figures allowing us to present a worldwide financial statement.

INVESTMENT IN "QUEST/78"

Quest/78 has a circulation of over 300,000 per issue and is expected to be self-supporting by February, 1979.

Currently, two major communications conglomerates and several other major U.S. industrial corporations have shown an interest in acquiring Quest/78. We should expect a minimum of $4,000,000 should the magazine be sold at an early date.

[2]GENERAL ADMINISTRATIVE EXPENSES

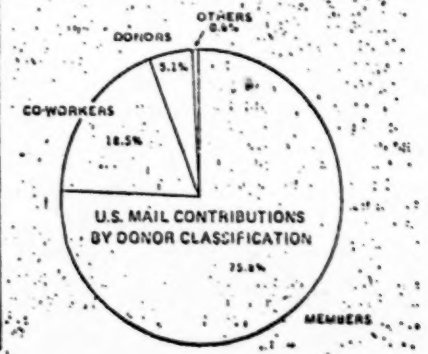
General services salaries, administrative salaries and related expenses	$4,066,600
Contract service payments and fees	1,155,700
Supplies	634,300
Telephone and utilities	472,400
Postage and shipping	545,200
Use of facilities	423,700
Property rentals	262,900
Travel	85,500
Vehicle operating expenses	165,000
Insurance	556,100
Interest	572,700
Taxes, licenses and fees	250,400
Depreciation and amortization	297,700
Miscellaneous	110,100
Total general and administrative expenses	$9,670,200

[4]DEFICIENCY

This deficiency (excess expense over revenue) was met by short-term borrowing from our bank — United California Bank.

NOTE ON CHARTS

To assist the reader in visualizing the financial data, we have prepared the accompanying charts. The first two charts graphically portray the same information presented in the Statement of Income and Expenditures. The third chart depicts the U.S. mail contributions by donor classification. As you can see the membership is responsible for 75.8 percent of all U.S. donations made to the Work.



A. TIMMONS C

WORLDWIDE CHURCH OF GOD
EXECUTIVE EXPENSE ANALYSIS
Pasadena, California
March 3, 1978

MR. STANLEY R. RADER
PASADENA EXPENSES BEING HELD FOR PAYMENT:

BEVERLY HILLS UTILITIES	$ 287.26	
PROPERTY TAX ON BEVERLY HILLS HOME	7,284.47	
LANDSCAPING FOR BEVERLY HILLS HOME	413.17	
EXPENSE ALLOWANCE	2,782.00	
MORTGAGE PAYMENT OF BEVERLY HILLS HOME	2,400.00	
TOTAL EXPENSES FOR BEVERLY HILLS		$13,166.90

MISCELLANEOUS PASADENA EXPENSES BEING HELD FOR PAYMENT:

MRS. UPTON	$ 480.00	
CENTURY FILING SERVICE	268.00	
LAW BOOKS	567.92	
DICTATING AND TRANSCRIBING SERVICE	666.74	
WHITE TIE LIMOSINE SERVICE	367.55	
INSURANCE	54.00	
LA SCALAS	694.78	
BEVERLY WILSHIRE	16.68	
MISCELLANEOUS SUBSCRIPTIONS	19.36	
TOTAL MISCELLANEOUS EXPENSES		3,135.03
TOTAL PASADENA EXPENSES BEING HELD FOR PAYMENT		$16,301.93

WORLDWIDE CHURCH OF GOD

EXECUTIVE EXPENSE ANALYSIS

Pasadena, California

March 3, 1978

MR. STANLEY R. RADER

TRAVEL EXPENSES BEING HELD FOR PAYMENT:

HOTEL PLAZA ATHENEE - PARIS	$22,571.19	
TWA - LOS ANGELES TO NEW YORK	347.00	
WHITE ELEPHANT LTD. - LONDON	83.85	
WILSHIRE TRAVEL	1,536.00	
TOTAL TRAVEL EXPENSE		$24,538.04

WORLDWIDE CHURCH OF GOD
EXECUTIVE EXPENSE ANALYSIS
Pasadena, California
March 3, 1978

MR. STANLEY R. RADER
TUCSON EXPENSES BEING HELD FOR PAYMENT:

FURNISHINGS FOR TUCSON HOME	$7,508.65	
MORTGAGE PAYMENT ON TUCSON HOME	999.30	
TELEPHONE	944.88	
APPLIANCE SERVICE	64.88	
HOME ALARM SERVICE	32.00	
POOL SERVICES	42.50	
PEST CONTROL SERVICE	11.03	
HOUSEKEEPING SERVICE	580.00	
UTILITIES-GAS AND ELECTRIC	237.91	
GOLF CLUB	170.67	
TOTAL EXPENSE FOR TUCSON		$10,591.12

WORLDWIDE CHURCH OF GOD
EXECUTIVE EXPENSE ANALYSIS
Pasadena, California
March 3, 1978

MR. STANLEY R. RADER
SUMMARY OF EXPENSES BEING HELD FOR PAYMENT:

EXPENSES FOR BEVERLY HILLS HOME	$13,166.90	
MISCELLANEOUS EXPENSES	3,135.03	
TOTAL PASADENA EXPENSES		$16,301.93
EXPENSES FOR TUCSON HOME		10,591.17
TRAVEL EXPENSES		24,538.04
TOTAL EXPENSES BEING HELD FOR PAYMENT		$51,431.14

WORLDWIDE CHURCH OF GOD
EXECUTIVE EXPENSE ANALYSIS
Pasadena, California
March 3, 1978

MR. HENRY F. CORNWALL
TRAVEL EXPENSES BEING HELD FOR PAYMENT:

IMPERIAL HOTEL	$22,925.56
HERTZ	190.64
NATARNI NEZ-TUCSON	37.00
HARRODS	281.98
POLAND HOTEL AND RESTAURANT	732.87
JAPAN AIRLINES	24,881.28
WHITE TIE - LIMOUSINE SERVICE	107.80
TWA - LOS ANGELES TO TOKYO (ROUND TRIP)	1,937.00
TOTAL EXPENSES BEING HELD FOR PAYMENT	$51,094.13

A. TIMMONS D

WORLDWIDE CHURCH OF GOD

[Address Illegible]

July 24, 1978

Dear Ted:

We did want to take this time and opportunity to write you regarding the arrangements the Church was willing and desirous of undertaking regarding your recent termination.

Perhaps, first, I should mention that under the policy and procedures adopted by the Church and College you are considered as having been discharged "for cause," and as a consequence would not legally be entitled to any severance, termination, retirement or other type of benefit or financial arrangements.

However, as a matter of Christian courtesy, and not by virtue of any legal obligation, Mr. Herbert Armstrong, with the counsel and consent of his advisors, has agreed that the Church pay you the sum of $50,000.00 per year in bi-monthly installments less federal and state withholding.

The payment of such sum is subject, however, to the unconditional right of the Church to terminate said payments at any time, with or without cause, within the Church's sole and objective discretion. Without limitation upon the generality of the foregoing, one of the conditions that would result in the termination of said payments would be breach of the following confidentiality provision.

We feel that inasmuch as you would morally consider information within your knowledge and possession as confidential and private under any circumstances, that

the confirmation of such would not create an additional burden on you.

Therefore, this is to confirm that in carrying out your past duties for the Worldwide Church of God, Ambassador College and Ambassador International Cultural Foundation, and by virtue of the relationship created thereby, you have from time to time, come into, or have had imparted to you, knowledge, possession, custody, or control of information and documentation which concerned the affairs of Worldwide Church of God, Ambassador College and Ambassador International Cultural Foundation and the lives of their officers, employees, directors and agents, which information and documentation was and is confidential and private.

By accepting either of the benefits provided herein, or any portion thereof, you agree to maintain the confidentiality and privacy of such information and documentation regarding such corporations and persons which you have within your knowledge, possession, custody, or control. Further, you agree never to release, divulge, disclose, make available, or in any other manner make known any such information or documentation, in perpetuity, which you have within your knowledge, possession, custody or control. You further agree to take reasonable precautions to safeguard all such information and documentation.

Whether any information or documentation is private or confidential shall be decided by the Church. Such decision shall be within its sole and subjective discretion and shall be deemed conclusive and determinative of the question.

Pursuant to your conversations with Mr. Herbert Armstrong, we are also enclosing a license agreement whereby the Church agrees to permit your use of the Tahoe cabin under the terms set forth.

If you are in agreement with the same, please sign one copy of the agreement in the place provided and return within 15 days from the date of this letter. A self-addressed stamped envelope is enclosed for your convenience in doing so.

In the event you are not desirous of utilizing the Tahoe cabin please advise as arrangements have been made with Mr. Evans to assist you in removing your personal effects from the cabin and to obtain all keys pertaining to the property.

It should be noted that the use of the Tahoe cabin, and the financial arrangements, are without legal obligation but are based solely upon the certain subjective, discretionary spiritual determinations based upon the Bible. Therefore, acceptance of either of the foregoing or any portion thereof, will constitute full payment and satisfaction of any and all obligations that might exist between yourself, the Worldwide Church of God, Ambassador College or Ambassador International Cultural Foundation, and any of their officers, directors, employees, or agents, resulting in a full release and discharge of each of them from any and all obligations that may exist to the date hereof.

Also, would you please sign the enclosed resignation regarding A.I.C.F. so we may complete our corporate records in this regard.

It is our sincere hope that you will see fit to accept the following under the terms and conditions provided and in the attitude of love and concern in which they are offered.

In Jesus' name,

/s/ Stanley R. Rader
STANLEY R. RADER

SRR:vak

Encls.

A. TIMMONS E

ALL-CANADA
RADIO & TELEVISION
LIMITED
LIMITEE [Emblem]

Suite 900
One Bentall Centre
Vancouver, British Columbia
V7X 1M4
(604) 684-7461

October 12, 1978

Mr. Bob Kiel
Media Director
Baker, Lovick Limited
1177 West Hastings Street
Suite 1800
Vancouver, B.C.
V6E 2S6

RE: Worldwide Church of God

Dear Bob,

Further to our telephone conversations concerning this program which is being carried on many of our represented stations, I am sorry to say that we seem to be running into some problems.

As you know, we recently received a request from our station in Sault Ste. Marie for immediate cancellation of the program. They stated that the reason for this request is the general approach to religion that is being taken since Garner Ted's departure from the show.

I have now received a letter from our station CJOC in Lethbridge who advise that they have received several letters and phone calls complaining about the program's content. The other problem seems to be that the programs are no longer self contained units, but are portions of a much longer talk. Thus, if a listener is unable to tune in each day, they cannot follow the sermon.

I know, Bob, that you are well aware of how difficult it is to obtain any avails for Religious programming here in Canada. Therefore, I am extremely concerned when a station such as CJOC who have traditionally carried religious programming suggests that they may have to request cancellation.

I would appreciate it if you could let me know if anything can be done about this problem.

All the best,

/s/ William C. Mitchell
WILLIAM C. MITCHELL

WCM:ja

ARMSTRONG TEXAS CAMPUS SOLD FOR $10.6 MILLION

The Big Sandy branch of Ambassador College in east Texas has been sold to a Virginia businessman for $10.6 million, Stanley Rader, spokesman for Herbert W. Armstrong's Worldwide Church of God, has confirmed.

Rader said the sale of the 1,600-acre facility, "pending approval of the church's Executive Committee" this weekend, had been consummated. The property was put up for sale by the church after Armstrong reversed the decision of his son, Garner Ted Armstrong, to transfer college operations there from the Pasadena campus of Ambassador.

The younger Armstrong was subsequently ousted from the theocratic empire of his father last June, and the Pasadena school is now operating on a vastly reduced scale. Students from the Big Sandy campus already had been transferred to Pasadena.

The Baptist Press announced last week that businessman F. William Menge had brought the Texas property and given it to the James Robison Evangelistic Assn. Robison is a Southern Baptist preacher.

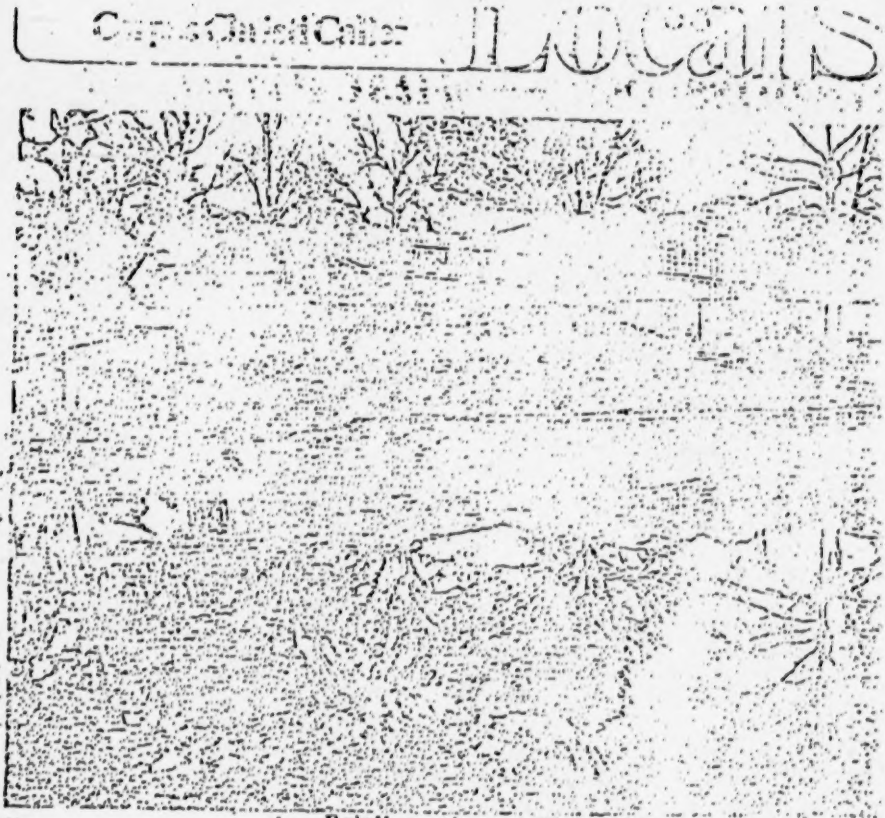
Robison's associates placed the property's value at between $30 million and $50 million, according to the Baptist Press.

The real estate includes 330 buildings, 25 houses, a 10,000-seat convention center, 60-acre lake, a 9-hole golf course, a landing strip, airplane hangar, four large dormitories and a gymnasium-auditorium seating 3,500.

Robison was reported to have plans for youth camps, retreats, conferences and discipleship training on the site, as well as to build a retirement center.

A. TIMMONS F 138b

A. TIMMONS G



Roloff employees Elaine Phillyou and Ralph Al

by [illegible]

Road to Roloff's new paradise proves rocky

137

By MARTHA CALLAWAY
Staff Writer

BIG SANDY — When Lester Roloff first talked [illegible] Farm, a library, its own water and sewer system, a dairy farm, a digester for disposing of waste and creating fertilizer, a library, ad

Roloff and Hammer (right) talk about college's facilities

else to send them.

The 66-year-old evangelist suggested that 2,000 churches could become his bankers and give or loan $5,000 each; or that 10,000 individuals could give $1,000 each. "I don't think that's unreasonable," he said.

He seemed disappointed with the turnout at the Longview rally, and more than a little tired after the flight from Corpus Christi and an afternoon press conference. Only 13 preachers were present at the rally. "I wonder where the rest of them are? When I go outside of Texas, I have 50 or more preachers present," he said.

Money isn't the only problem Roloff is encountering. And while he refuses to talk about it, he nevertheless admits that conflicts exist.

One potential problem is a class-action suit which Garner Ted Armstrong, son of Herbert W., is threatening to file in order to stop the sale of the property. Armstrong was excommunicated by his father last spring and barred from the church-owned homes. He now threatens to file suit on behalf of all the people who gave money to Worldwide, saying $10.6 is not enough money for the Big Sandy property.

Ralph Hegle, an attorney for Worldwide in Pasadena, Calif., last night said the younger Armstrong has "absolutely no grounds" for the suit. "He just talks and talks and his whole purpose is to disrupt the church and its people," Hegle said.

Another conflict is that Roloff and Bill Menge, the Lynchburg, Va. millionaire through whom Roloff is purchasing the property, may not see eye-to-eye on how the place will operate.

Menge has said from the beginning that he obtained the purchase rights from Worldwide as a tax shelter for his business conglomerate. And while Roloff says he is purchasing the property outright from Menge, Menge has told others that Roloff has merely signed a long-term lease with an option to buy.

Roloff and his attorneys admit that they are trying to accommodate Menge tax-wise, but de-

See Roloff, page 11C

Road to Roloff's new paradise proves rocky

By MARTHA CALLAWAY
Staff Writer

BIG SANDY — When Lester Roloff first talked about moving his evangelistic operations to this tiny East Texas town, he said he'd never seen a more beautiful place and likened the move to the Israelites coming to the promised land.

It was a just comparison.

The 1,600-acre campus, formerly Ambassador College, nestled in the piney woods of Upshur County, graced with rich farmland, valleys, streams and a natural lake teeming with bass, perch and catfish, is a paradise by any man's standards.

And the price is a steal. For a mere $10.6 million, Roloff Evangelistic Enterprises is getting a piece of property recently appraised at close to $30 million, and, according to one real estate agent, couldn't be reproduced for less than $50 million.

In addition to the natural beauty of the property, Herbert W. Armstrong, patriarch of the billion dollar Worldwide Church of God empire, spared no expense in constructing and furnishing the buildings.

Just inside the entrance to the campus is an enormous fountain, adorned with a sculpture of a flock of copper geese in flight, which Armstrong had made in England especially for the Big Sandy campus. The statue's value: approximately $300,000.

Lester Roloff refers to them as "those silly birds" and may, in fact, try to sell them, according to one of his associates.

The property includes 22 brick homes, valued at $50,000 to $125,000 a piece, some of which have private swimming pools, copper roofs and slate patios. "They are rather ritzy homes," Roloff said, adding that the Worldwide Church of God brings in $60 million a year.

The property inventory is astounding: an airport and runway, an auditorium seating 16,000 (twice the size of Memorial Coliseum), two gymnasiums, tennis courts, handball courts, a smaller auditorium, a library, its own water and sewer system, a dairy farm, a digestor for disposing of waste and creating fertilizer, a library, administration building, 13 house trailers, dormitories, broadcast studio, maintenance equipment, a nine-hole golf course, 82 acres of campsites, 200 two-person bungalows, a security patrol car and more.

"These people were cooking on the front burner with butane," Roloff commented, as he surveyed one of the four Steinway grand pianos at the school. They alone are worth $40,000.

While $10.6 million is certainly a bargain, Roloff Enterprises is a long way from raising that amount, and the due date, Jan. 4, is getting closer and closer.

As of yesterday, Roloff was near to raising the first million dollars — not including the initial $500,000 in earnest money.

Asked if he was worried about getting the money, Roloff shook his head and softly said, "I don't worry about such things . . . My faith is in gear. The Lord and the people know why we want it — I trust He'll take care of the rest.

"We've waited a long time to double our work," he said, then changed the subject.

Roloff may say he is not worried, but he certainly appears to be. He's even conceding the possibility of financing part of the cost, although it would be difficult to pay the interest, he said.

"I want to have it completely paid for by Jan. 4. If the people we have served and worked for for 33 years won't help us — I'd not be very enthused about moving here," Roloff said.

During a rally Friday night at the Longview Baptist Temple, Roloff told a crowd of about 200 people that raising the money to buy Ambassador College "is not a test of my faith, but a test of my friends.

"It's time for the preachers of this country to start building the kind of homes I have or to help me with this one," he said. Roloff explained that ministers all over the country have sent troubled youths to his homes, because they had no where

Roloff

From 1C

cline to elaborate on the particulars of the transaction. Menge could not be reached for comment.

A Worldwide employee, Buck Hammer, who has served as campus caretaker for many years and donated the first 10 acres of the property to Armstrong in 1953, is confused and frustrated by the Roloff-Menge deal.

"Menge tells me that he wants me to stay on and oversee the master plan and that he will be my boss," Hammer said. "Roloff, on the other hand, says he will have complete control of the school and Hammer will not have a part in Roloff Evangelistic Enterprises.

"Even though the college itself closed down a year and a half ago, Hammer and at least 35 workers have continued to maintain the property. "Menge says they will have jobs . . . Roloff says they have to go . . . they don't know what to do," Hammer said.

If all goes as planned, Roloff expects to send the first contingent of workers to the school just after Jan. 4, to learn the rather complex physical operations of the property, including water, electrical and sewage maintenance.

Hammer says his people have no intention of staying around to help with the transition. "They have to find other jobs immediately," he said. Most will be gone by Dec. 31, he said.

Even if Roloff wanted to hire some of the Worldwide employees, Hammer said, he probably wouldn't be willing to pay what they have been getting.

"Herbert W. Armstrong has always been the kind of man that believed in paying his people well . . . I'm sure my salary would shock him (Roloff)," said Hammer, who makes $28,000 a year.

Another potential conflict over the property is that Menge is talking about taking a large portion of the back property and developing it into a shopping center and residential area. "That's a possibility," Roloff confirmed. The closing date is only 10 days away, but the wrinkles have apparently not been ironed out.

"There are a lot of conflicts," Roloff said. "Jan. 4 will be a re[illegible]ing date," suggesting that he may reveal some new course of action if all does not go as planned.

"I can tell you one thing, I'll not take the place unless I have complete control to run it the way I've always run my other homes," he said.

Meanwhile, the people of Big Sandy, population 1,022, expressed mixed emotions about Lester Roloff and his wayward girls moving to East Texas.

Most people were looking forward to his arrival. "I feel it's an answer to a prayer," said Mrs. Helen Patterson, publisher of the local weekly paper. "We were concerned that some kind of cult group might buy it, or some Arabs or Japanese."

Granny Turman, local service station attendant, said he was "kinda proud" of Roloff coming there and hoped he'd bring prosperity to the community. Roloff told the press from Big Sandy, Longview, Gilmer, Tyler and Gladewater that he would be pumping $1 to $2 million into the area annually.

"We're just a small little ol' community," Mrs. Carolyn Davis said. "I can't see how 800 girls can benefit Big Sandy."

The mayor, Methodist minister and grade school teacher — Linzy Bowie — said some people were concerned Roloff and his group will be "undesirable." Personally, however, Bowie thinks Roloff is doing good work and he is glad to have him come.

Friday, Roloff brought a busload of girls from the Rebekah Home in Corpus Christi and another busload of his workers to the Big Sandy campus. They participated in the rally Friday night and a day-long radio broadcast Saturday.

For Roloff's girls, it was love at first sight.

"It's beautiful here," they said, adding they could hardly wait to move in. The facilities at Ambassador College, such as the gymnasiums, nursery, shops, running track and lake for swimming and fishing, will provide a wide range of activities for the girls not available at the Corpus Christi homes.

Taking over Ambassador College is an immense project for Roloff. In addition to the purchase cost, he estimates the operating cost to be between $2 and $3 million a year.

"There's no doubt about it, this is quite a showplace . . . but I tell you, the main thing we have to show, and always will, is people," Roloff said.

"I believe the lord wants us to be here, though."

DECLARATION OF SHIRLEY TIMMONS

I, SHIRLEY TIMMONS, hereby declare as follows:

1. I am one of the relators named in the within action. I make this declaration in support of the application for appointment of a temporary receiver and a temporary restraining order, and for a receiver and injunction pendente lite.

2. I am the wife of Alvin Timmons. I have been a member of the Church as long as he has.

3. I am also a licensed real estate associate. In recent weeks, I made various inquiries at the office of the Los Angeles County Tax Assessor and the office of the Los Angeles County Recorder in order to ascertain whether any properties standing of record in the name of the Worldwide Church of God or Ambassador College had recently been sold or transferred to others. Attached hereto, collectively marked Exhibit A, are certified copies of eleven grant deeds executed between May 18 and November 2, 1978, by Ambassador College, conveying eleven different parcels of real property. According to the documentary transfer tax information reflected on the deeds, the selling price for these eleven parcels aggregated approximately $3,000,000. Most of the deeds were executed for Ambassador College by Stanley Rader or Ralph Helge. Among the transferees were Raymond Franklin McNair and his wife, known to me to be directors of Ambassador College; Bill M. Evans and his wife, Mr. Evans being a real estate broker who has handled many real estate matters for the Church for compensation; and Bernell C. Michel and Shirley Michel, who appear to be related to the Gene Michel who executed two of the deeds to other parties on behalf of the College. I do not know the full extent of the relationship between the other transferees and the Church or its affiliated companies.

I declare under penalty of perjury that the foregoing is true and correct.

Executed this 27th day of December, 1978, at Beverly Hills, California.

/s/ Shirley Timmons
SHIRLEY TIMMONS

145b

S. TIMMONS A

73- 561361

Mr. & Mrs. Craig Marshall
6623 Turnergrove Dr.
Lakewood, Ca. 90713

RECORDED IN OFFICIAL RECORDS OF LOS ANGELES COUNTY, CA
MAY 26 1978 AT 8 A.M.

Mail Tax Statements to above address.

SPACE ABOVE THIS LINE FOR RECORDER'S USE

The undersigned declares that the documentary transfer tax is $ None computed on the full value of the interest or property conveyed.

Corporation Joint Tenancy Grant Deed

FOR A VALUABLE CONSIDERATION, receipt of which is hereby acknowledged,
AMBASSADOR COLLEGE,

a corporation organized under the laws of the state of California
hereby GRANTS to

CRAIG MARSHALL and PATSY MARSHALL, husband and wife as joint tenants

the following described real property in the City of Lakewood,
County of Los Angeles, State of California:

Lot 396, Tract 16397, as per map recorded in Book 373, Pages 18 to 21 inclusive of Maps, in the office of the County Recorder of said County.

Subject to reservations, covenants, conditions and restrictions of record, if any.

In Witness Whereof, said corporation has caused its corporate name and seal to be affixed hereto and this instrument to be executed by its Vice Chancellor

Dated May 18, 1978

STATE OF CALIFORNIA
County of Los Angeles
On May 18, 1978 before me personally appeared C. Wayne Cole and Ralph K. Helge known to me to be the Vice Chancellor and Vice Chancellor of the corporation that executed the within instrument, known to me to be the persons who executed the within instrument on behalf of the corporation therein named, and acknowledged to me that such corporation executed the within instrument pursuant to its by-laws or a resolution of its board of directors.

Oliver B. Nesmith

AMBASSADOR COLLEGE
By C. Wayne Cole, as Vice Chancellor
Ralph K. Helge, as Vice Chancellor

78- 708519

AND WHEN RECORDED MAIL TO

Name: Robert Apkarian
Street Address: 2260 Tova Lane
City & State: San Marino, California
91108

RECORDED IN OFFICIAL RECORDS OF LOS ANGELES COUNTY, CA
JUN 27 1978 AT 8 A.M.
OFFICE OF COUNTY RECORDER

SPACE ABOVE THIS LINE FOR RECORDER'S USE

Mail tax statements to same as above.

Documentary transfer tax $198.00
computed on full value of property conveyed.
LOCKWOOD ESCROW CORP. By

Corporation Grant Deed

THIS FORM FURNISHED BY SECURITY TITLE INSURANCE & GUARANTEE COMPANY

FOR A VALUABLE CONSIDERATION, receipt of which is hereby acknowledged, PASADENA COLLEGE,

a California Corporation

hereby GRANT(S) to ROBERT APKARIAN and GLADYS APKARIAN, husband and wife, AS JOINT TENANTS.

the following described real property in the City of Pasadena
county of Los Angeles, state of California:

That portion of Lot 2 in Division "A" of the James Smith Tract, in the City of Pasadena, County of Los Angeles, State of California, as per map recorded in Book 6 Page 210 of Miscellaneous Records, more particularly described in Exhibit "A" attached hereto and made a part hereof.

Dated May 24, 1978

Pasadena College

by: Ray Wright, Vice President for Financial Affairs

by: Gene Michel, Assistant Secretary

STATE OF CALIFORNIA
COUNTY OF Los Angeles
On June 20, 1978 before me the undersigned, a Notary Public in and for said County and State personally appeared Ray Wright known to me to be the Vice President for Financial Affairs & Gene Michel known to me to be the Assistant Secretary of the corporation that executed the within instrument and known to me to be the persons who executed the within instrument on behalf of the corporation therein named and acknowledged to me that such corporation executed the within instrument pursuant to its by-laws or a resolution of its board of directors.

WITNESS my hand and official seal.

Notary Public in and for said County and State

Patricia Sprouse

OFFICIAL SEAL
PATRICIA SPROUSE
NOTARY PUBLIC - CALIFORNIA
LOS ANGELES COUNTY
My Comm. Expires Oct 31, 1981

Title Order No. 7715202 - 12

Escrow No. 142078

RECORDING REQUESTED BY

73-1215805

AND WHEN RECORDED MAIL TO

Mr. and Mrs. H. Slaybaugh et al
2021 C[illegible] Pathway
South Pasadena, Calif.

RECORDED IN OFFICIAL RECORDS
OF LOS ANGELES COUNTY, CA
NOV 2 1973 AT 8 A.M.
Recorder's Office

MAIL TAX STATEMENTS TO

SAME AS ABOVE

[illegible]

SPACE ABOVE THIS LINE FOR RECORDER'S USE

Corporation Grant Deed

THIS FORM FURNISHED BY TICOR TITLE INSURANCE

The undersigned grantor(s) declare(s):
Documentary transfer tax is $ 284.00
( ) computed on full value of property conveyed, or
( ) computed on full value less value of liens and encumbrances remaining at time of sale,
( ) Unincorporated area: ( ) City of Pasadena, and
FOR A VALUABLE CONSIDERATION, receipt of which is hereby acknowledged,

ALLIANCE COLLEGE

a corporation organized under the laws of the State of California hereby GRANTS to
[illegible] H. SLAYBAUGH and SHARON L. SLAYBAUGH, husband and wife as joint tenants, and CLIFFORD B. McCOY and PHILOMENA V. McCOY, husband and wife as joint tenants, each as to an undivided one half interest
the following described real property in the City of Pasadena
County of Los Angeles, State of California:

As per Exhibit A consisting of one page

In Witness Whereof, said corporation has caused its corporate name and seal to be affixed hereto and this instrument to be executed by its Vice President for Financial Affairs and Assistant Secretary
thereunto duly authorized.
Dated: [illegible]

ALLIANCE COLLEGE

By [illegible]
Vice President for Financial Affairs
Gene Michel, Assistant Secretary

STATE OF California
COUNTY OF Los Angeles } ss.
On [illegible] before me, the undersigned, a Notary Public in and for said State, personally appeared [illegible] known to me to be the [illegible] of the Affiant that executed the within instrument, and known to me to be the person who executed the within instrument on behalf of the Affiant therein named, and acknowledged to me that such Affiant executed the within instrument pursuant to its by-laws or a resolution of its board of directors.

WITNESS my hand and official seal

Notary Public in and for said County and State

OFFICIAL SEAL
PATRICIA SPENCER
NOTARY PUBLIC - CALIFORNIA
LOS ANGELES COUNTY
My comm. expires JUL 13 1975

300 West Glenarm Street, Pasadena, CA 91105

(This area for official notarial seal)

RECORDING REQUESTED BY

AND WHEN RECORDED MAIL TO

Mr. & Mrs. R. C. Michel
[illegible] Beverly Dr.
Pasadena, CA

RECORDED IN OFFICIAL RECORDS OF LOS ANGELES COUNTY, CA
AUG 9 1973 AT 8 A.M.
Recorder's Office

MAIL TAX STATEMENTS TO

Same as above

SPACE ABOVE THIS LINE FOR RECORDER'S USE

Corporation Grant Deed

THIS FORM FURNISHED BY TICOR TITLE INSURANCE

A.P.N.

The undersigned grantor(s) declare(s):
Documentary transfer tax is $ $1.10
( ) computed on full value of property conveyed, or
( ) computed on full value less value of liens and encumbrances remaining at time of sale.
( ) Unincorporated area: (x) City of PASADENA, and
FOR A VALUABLE CONSIDERATION, receipt of which is hereby acknowledged,

AMBASSADOR COLLEGE

a corporation organized under the laws of the State of California hereby GRANTS to

LERWILL C. MICHEL and SHIRLEY MICHEL, husband and wife, as joint tenants

the following described real property in the County of Los Angeles, State of California:

Lot 1 of Tract 13705 in the City of Pasadena, in the County of Los Angeles State of California, as per map recorded in Book 294 Pages 45 and 46 of Maps, in the Office of the County Recorder of said County.

In Witness Whereof, said corporation has caused its corporate name and seal to be affixed hereto and this instrument to be executed by its [illegible] President and [illegible] Secretary

Dated [illegible] 1973

STATE OF CALIFORNIA }
} ss.
COUNTY OF [illegible] }

On [illegible] before me, the undersigned, a Notary Public in and for said County and State, personally appeared [illegible] known to me to be the President and [illegible] known to me to be the Secretary of the corporation that executed the within instrument, known to me to be the persons who executed the within instrument on behalf of the corporation therein named, and acknowledged to me that such corporation executed the within instrument pursuant to its by-laws or a resolution of its board of directors.

Ambassador College

[illegible] President

[illegible] Secretary

Robert D. Smith

RECORDING REQUESTED BY

78-784243

AND WHEN RECORDED MAIL TO

Jobson, Jordan, Harrison & Schulz, Inc.
1901 U. 8th St.
Los Angeles, CA

AND MAIL TAX STATEMENTS TO

Same as above

RECORDED IN OFFICIAL RECORDS OF LOS ANGELES COUNTY, CA
JUL 14 1978 AT 8 A.M.
Recorder's Office

FEE $3 R

SPACE ABOVE THIS LINE FOR RECORDER'S USE

Corporation Grant Deed

THIS FORM FURNISHED BY TICOR TITLE INSURANCE

The undersigned grantor(s) declare(s):
Documentary transfer tax is $ 121.50
( ) computed on full value of property conveyed, or
( ) computed on full value less value of liens and encumbrances remaining at time of sale.
( ) Unincorporated area: ( ) City of PASADENA & 55, and
FOR A VALUABLE CONSIDERATION, receipt of which is hereby acknowledged,

AMBASSADOR COLLEGE

a corporation organized under the laws of the State of California hereby GRANTS to

JOBSON, JORDAN, HARRISON & SCHULZ, INC., a California Corporation

the following described real property in the County of Los Angeles, State of California:

Parcel 1: The East 16 2/3 Feet of Lot 12 and the West 16 2/3 feet of Lot 13 of Legges Lower Tract, in the City of Pasadena, in the County of Los Angeles, State of California, as per map recorded in Bk. 10, Pg. 13 of Misc. Records, in the Office of the County Recorder of said County

Parcel 2: Lot 16 of Legges Lower Tract, in the City of Pasadena, in the County of Los Angeles, State of California, as per map recorded in Book 10 Page 13 of Misc. Records, in the Office of the County Recorder of said County.

In Witness Whereof, said corporation has caused its corporate name and seal to be affixed hereto and this instrument to be executed by its Secretary and Assistant Secretary thereunto duly authorized.

Dated: July 12, 1978

STATE OF CALIFORNIA } ss.
COUNTY OF Los Angeles }

On July 12, 1978 before me, the undersigned, a Notary Public in and for said State, personally appeared [illegible] known to me to be the Secretary and [illegible] known to me to be the Assistant Secretary of the corporation that executed the within Instrument, known to me to be the persons who executed the within Instrument on behalf of the corporation therein named, and acknowledged to me that such corporation executed the within Instrument pursuant to its by-laws or a resolution of its board of directors.

WITNESS my hand and official seal.

Notary Public

OFFICIAL SEAL
LARRY W. DARDEN
NOTARY PUBLIC - CALIFORNIA
PRINCIPAL OFFICE IN
LOS ANGELES COUNTY
My Commission Expires January 22, 1979

(This area for official notarial seal)

70 1169125

Baldwin & Doreen Marchack
312 Waverly Drive
Pasadena, California

RECORDED IN OFFICIAL RECORDS
OF LOS ANGELES COUNTY, CA.
OCT 19 1970 AT 8 A.M.
Recorder's Office

SAME AS ABOVE

SPACE ABOVE THIS LINE FOR RECORDER'S USE

Corporation Grant Deed

THIS FORM FURNISHED BY TITLE INSURANCE AND TRUST COMPANY

The undersigned grantor(s) declare(s):
Documentary transfer tax is $ 440.00 (55)
(X) computed on full value of property conveyed, or
( ) computed on full value less value of liens and encumbrances remaining at time of sale.
( ) Unincorporated area: (X) City of Pasadena, and
FOR A VALUABLE CONSIDERATION, receipt of which is hereby acknowledged,

AMBASSADOR COLLEGE, a California Corporation

a corporation organized under the laws of the State of California hereby GRANT(S) to

BALDWIN W. MARCHACK and DOREEN MARCHACK, husband and wife as Joint Tenants

the following described real property in the
County of Los Angeles, State of California:

Parcel 1, in the city of Pasadena, in the County of Los Angeles, State of California, as shown on parcel Map No. 65 filed in Book 10, Page 96 of Parcel Maps, in the office of the county recorder of said county.

Subject to any covenants, conditions, restrictions, reservations, rights of way and easements of record.

In Witness Whereof, said corporation has caused its corporate name and seal to be affixed hereto and this instrument to be executed by its President and Secretary
thereunto duly authorized.
Dated October 22, 1970

AMBASSADOR COLLEGE

By [illegible], President

By [illegible], Secretary

STATE OF CALIFORNIA }
COUNTY OF [illegible] } ss.

On [illegible] before me, the undersigned, a Notary Public in and for said State, personally appeared [illegible] known to me to be the President, and [illegible] known to me to be the Secretary of the corporation that executed the within instrument, known to me to be the persons who executed the within instrument on behalf of the corporation therein named, and acknowledged to me that such corporation executed the within instrument pursuant to its by-laws or a resolution of its board of directors.

WITNESS my hand and official seal.

Notary Public in and for said State

Official Seal

(This area for official notarial seal)

151b

RECORDING REQUESTED BY

WHEN RECORDED MAIL TO

Ronald L. & Shirley R. Durr
2926 Aqueduct Ave.
Sepulveda, CA 91343

RECORDED IN OFFICIAL RECORDS OF LOS ANGELES COUNTY, CA
OCT 13 1978 AT 8 A.M.
Recorder's Office

SPACE ABOVE THIS LINE FOR RECORDER'S USE

FEE $4 2t

SEND TAX BILLS TO 27 50 IN THIS SPACE
2926 Aqueduct Ave. Full Value

Corporation Grant Deed

THIS FORM FURNISHED BY TITLE INSURANCE AND TRUST COMPANY

FOR A VALUABLE CONSIDERATION, receipt of which is hereby acknowledged,
AMBASSADOR COLLEGE

a corporation organized under the laws of the state of California
hereby GRANTS to
RONALD L. DURR and SHIRLEY R. DURR, husband and wife as joint tenants

the following described real property in the
county of Los Angeles state of California:

The South half of the North half of the Southeast quarter of the Southwest quarter of Section 15, Township 4 North, Range 12 West, San Bernardino Meridian, in the unincorporated area of the County of Los Angeles

Subject to any covenants, conditions, restrictions, reservations, rights of way and easements of record.

In Witness Whereof, said corporation has caused its corporate name and seal to be affixed hereto and this instrument to be executed by its Treasurer and Secretary thereunto duly authorized.

Dated: September 15, 1978

STATE OF CALIFORNIA
COUNTY OF Los Angeles } ss.

On September 27, 1978 before me, the undersigned, a Notary Public in and for said County and State, personally appeared Stanley R. Rader known to me to be the Treasurer and Ralph K. Hulse known to me to be the Secretary of the corporation that executed the within instrument, known to me to be the persons who executed the within instrument on behalf of the corporation therein named, and acknowledged to me that such corporation executed the within instrument pursuant to its by-laws or a resolution of its board of directors.

Ambassador College

By Stanley R. Rader, Treasurer.

By Ralph K. Hulse, Secretary

3620

75-1257752

AND WHEN RECORDED MAIL TO

Elsie Associates
1645 East Green Street
Pasadena, California 91106

RECORDED IN OFFICIAL RECORDS OF LOS ANGELES COUNTY, CA
NOV 3 1978 AT 8 A.M.
Recorder's Office

SAME AS ADDRESS SHOWN ABOVE

SURVEY MONUMENT FEE $10 CODE 99

SPACE ABOVE THIS LINE FOR RECORDER'S USE

Corporation Grant Deed

THIS FORM FURNISHED BY TICOR TITLE INSURANCE

The undersigned grantor(s) declare(s):
Documentary transfer tax is $ 591.00 (55)
(X) computed on full value of property conveyed, or
( ) computed on full value less value of liens and encumbrances remaining at time of sale,
(X) Unincorporated area (X) City of Pasadena, and
FOR A VALUABLE CONSIDERATION, receipt of which is hereby acknowledged,
AMBASSADOR COLLEGE, a corporation

a corporation organized under the laws of the State of California hereby GRANTS to
ELSIE ASSOCIATES, a partnership

the following described real property in the city of Pasadena
County of Los Angeles, State of California

Being part of lot 3 of Division "D" of Berry and Elliott's Subdivision and portions of lot 2 of Berry and Elliott Subdivision "D" of San Gabriel Orange Grove Association, as more particularly described in Exhibit A attached hereto comprising one page and signed by the Secretary for identification:

SUBJECT TO:
1 - Taxes for the fiscal year 1978-1979, a lien, not yet payable.
2 - Covenants, conditions, restrictions, reservations, rights, rights of way and easements of record, if any.

In Witness Whereof, said corporation has caused its corporate name and seal to be affixed hereto and this instrument to be executed by its ASST. Treasurer and Secretary thereunto duly authorized.

Dated: November 6, 1978

AMBASSADOR COLLEGE

By _____ Asst. Treas.

_____ Secretary

STATE OF CALIFORNIA }
COUNTY OF Los Angeles } ss

On November 6, 1978, before me the undersigned, a Notary Public in and for said State, personally appeared _____ known to me to be the _____ and _____ known to me to be the _____ of the Corporation that executed the within Instrument, known to me to be the persons who executed the within Instrument on behalf of the Corporation therein named, and acknowledged to me that such Corporation executed the within Instrument pursuant to its by-laws or a resolution of its board of directors.

WITNESS my hand and official seal.

Signature _____

OFFICIAL SEAL
OLIVER W. NESBIT
NOTARY PUBLIC — CALIFORNIA
PRINCIPAL OFFICE IN
LOS ANGELES COUNTY
My Commission Expires May 2, 1982

(This area for official notarial seal)

153b

78 1117396

RECORDING REQUESTED BY

RECORDED IN OFFICIAL RECORDS OF LOS ANGELES COUNTY, CA
OCT 10 1978 AT 8 A.M.
Recorder's Office

and WHEN RECORDED MAIL TO
Mr.& Mrs. Bill M. Evans
34 West Laycon
Pasadena, Ca. 91101

SURVEY MONUMENT FEE $10. CODE 51

SPACE ABOVE THIS LINE FOR RECORDER'S USE

Mail tax statements to same as above

Documentary transfer tax is $88.55
computed on full value of property conveyed.

SEE INSTRUCTIONS IN THIS SPACE

Corporation Grant Deed

THIS FORM FURNISHED BY TITLE INSURANCE AND TRUST COMPANY

FEE $5.00

FOR A VALUABLE CONSIDERATION, receipt of which is hereby acknowledged,

AMBASSADOR COLLEGE,

a corporation organized under the Laws of the state of California
hereby GRANTS to

BILL M. EVANS and BONNIE L. EVANS, husband and wife, as joint tenants,

the following described real property in the City of Pasadena,
county of Los Angeles state of California:

Property more particularly described in the attached Schedule "A" consisting of one page, which is made a part hereof:

Subject to any covenants, conditions, restrictions, reservations, rights of way and easements of record.

As between the parties, the warranty and representation provisions set forth in escrow #14208W, of the Lockwood Escrow Corporation, entered into between the parties, are to survive the close of escrow and delivery of the deed.

In Witness Whereof, said corporation has caused its corporate name and seal to be affixed hereto and this instrument to be executed by its Treasurer and Secretary thereunto duly authorized.

Dated October 4, 1978

STATE OF CALIFORNIA
COUNTY OF Los Angeles } ss.
On October 6, 1978 before me the undersigned, a Notary Public in and for said County and State, personally appeared Stanley R. Rader known to me to be the Treasurer and Ralph K. known to me to be the Secretary of the corporation that executed the within instrument, known to me to be the persons who executed the within instrument on behalf of the corporation therein named, and acknowledged to me that such corporation executed the within instrument pursuant to its by-laws or a resolution of its board of directors.

WITNESS my hand and official seal.

Notary Public in and for said County and State

AMBASSADOR COLLEGE

By Stanley R. Rader, as Treasurer.

Ralph K. [illegible], as Secretary.

RECORDING REQUEST BY

78-1191897

RECORDED IN OFFICIAL RECORDS OF LOS ANGELES COUNTY, CA
OCT 27 1978 AT 8 A.M.
Recorder's Office

AND WHEN RECORDED MAIL TO

Name: Mr. and Mrs. Rolando Klein
Address: Mrs. Rosemary Tyler
City & State: 865 South Grand Avenue
Pasadena, California

SURVEY MONUMENT FEE 310. CODE

FEE 34 27

SPACE ABOVE THIS LINE FOR RECORDER'S USE

MAIL TAX STATEMENTS TO

Name: Same as above.
Address:
City & State:

Documentary transfer tax $ 990.00
[X] computed on full value of property conveyed, or
[ ] computed on full value less liens and encumbrances remaining thereon at time of sale
Signature of declarant or agent determining tax - firm name
Lockwood Escrow Corp.
[ ] Unincorporated area City of Pasadena

CORPORATION GRANT DEED

FOR A VALUABLE CONSIDERATION, receipt of which is hereby acknowledged,

AMBASSADOR COLLEGE,

a corporation organized under the laws of the State of California,

hereby GRANTS to

ROLANDO KLEIN and LINDA KLEIN, husband and wife, as joint tenants, as to an undivided one-half interest; and ROSEMARY TYLER, a married woman, as her separate property, as to an undivided one-half interest;

the following described real property in the city of Pasadena, County of Los Angeles, State of California.

Property more particularly described in the attached Schedule "A" consisting of one page, which is made a part hereof.

Subject to covenants, conditions, restrictions, reservations, rights of way and easements of record, if any.

Dated September 27, 1978

AMBASSADOR COLLEGE

By: Stanley R. Rader, as Treas.

By: Ralph K. Helge, as Secretary

STATE OF CALIFORNIA
COUNTY OF Los Angeles } ss

On October 6, 1978 before me, the undersigned, a Notary Public in and for said State, personally appeared Stanley R. Rader and Ralph K. Helge known to me to be the Treas. and Secretary of the corporation that executed the within Instrument, known to me to be the persons who executed the within Instrument on behalf of the corporation therein named, and acknowledged to me that such corporation executed the within Instrument pursuant to its by-laws or a resolution of its board of directors.

Signature

OFFICIAL SEAL

144704

RECORDING REQUESTED BY

AND WHEN RECORDED MAIL TO

Mr. & Mrs. McNair
335 Gordon Terrace
Pasadena, CA 91105

RECORDED IN OFFICIAL RECORDS OF LOS ANGELES COUNTY, CA
NOV 3 1978 AT 8 A.M.
Recorder's Office

MAIL TAX STATEMENTS TO

same as above

SPACE ABOVE THIS LINE FOR RECORDER'S USE

Corporation Grant Deed

THIS FORM FURNISHED BY TITLE INSURERS

The undersigned grantor(s) declare(s):
Documentary transfer tax is $ 44.70
(X) computed on full value of property conveyed, or
( ) computed on full value less value of liens and encumbrances remaining at time of sale.
( ) Unincorporated area: (X) City of Pasadena, and
FOR A VALUABLE CONSIDERATION, receipt of which is hereby acknowledged, AMBASSADOR COLLEGE, a California Corporation ----------

a corporation organized under the laws of the State of California hereby GRANTS to RAYMOND FRANKLIN McNAIR and EVE G. McNAIR, husband and wife as Joint Tenants ----------

the following described real property in the County of Los Angeles, State of California:

Lot 3 of Tract 13705, in the City of Pasadena, in the County of Los Angeles, State of California, as per map recorded in Book 284, Pages 45 and 46 of Maps, in the office of the County Recorder of said County.
EXCEPT that portion described as follows:

Beginning at the Southeasterly corner of said lot; thence Northerly along the Easterly line of said lot to the Northeasterly corner of said lot; thence Westerly along the Northerly line of said lot, 3.64 feet; thence Southerly, in a direct line, to a point in the Southerly line of said lot, distant westerly thereon 10.69 feet from said Southeasterly corner; thence Easterly along said Southerly line 10.69 feet to the point of beginning.

SUBJECT to covenants, conditions, restrictions, reservations, rights of way and easements of record, if any.

In Witness Whereof, said corporation has caused its corporate name and seal to be affixed hereto and this instrument to be executed by its PRESIDENT and Secretary

Dated November 2, 1978

AMBASSADOR COLLEGE

By _____ President.

_____ Secretary

STATE OF CALIFORNIA
COUNTY OF Los Angeles } ss.

On _____ 1978 before me, the undersigned, a Notary Public in and for said State, personally appeared _____ known to me to be _____ and _____ known to me to be _____ of the Corporation that executed the within Instrument, known to me to be the persons who executed the within Instrument on behalf of said Corporation, and acknowledged to me that such Corporation executed the within Instrument pursuant to its by-laws or a resolution of its board of directors.

WITNESS my hand and official seal.

_____

(This area for official notarial seal)

OFFICIAL SEAL
NOTARY PUBLIC - CALIFORNIA
LOS ANGELES COUNTY
My Comm. Expires Jan. 23, 1981

AUTHORIZATION BY RECEIVER

SUPERIOR COURT OF THE
STATE OF CALIFORNIA
FOR THE COUNTY OF LOS ANGELES

No. C 267 607

THE PEOPLE OF THE STATE OF CALIFORNIA, *ex rel.*
ALVIN EARL TIMMONS, *et al.*,
Plaintiff,

vs.

WORLDWIDE CHURCH OF GOD, INC.,
a California Corporation, *et al.*,
Defendants.

I, the undersigned, being the duly appointed and acting Receiver of the Worldwide Church of God, Inc., Ambassador College, Inc., and Ambassador International Cultural Foundation, Inc., by virtue of an order of the above-entitled Court made on January 2, 1979, hereby authorize Hillel Chodos and Hugh John Gibson, Esqq. to act on my behalf for the purpose of effecting service of the Court's orders and other court papers upon the defendants in the above-entitled action and other persons having custody of the funds, assets, properties, or records of the said corporations; and to take into their possession on my behalf as receiver all of said funds, assets, properties, and records that may be found by them or persons acting under their direction.

Dated: January 3, 1979.

/s/ Steven S. Weisman
STEVEN S. WEISMAN
Receiver

EXCERPTS FROM TRANSCRIPT OF TAPED RECEIVERSHIP MEETING (JANUARY 4, 1979)

Reporter's transcript of proceedings taken from cassette tape of meeting re Receivership of Worldwide Church of God held at 12:00 o'clock noon January 4, 1979, at Pasadena California.

* * * *

Judge Weisman: Good afternoon. I'm Judge Steven S. Weisman. I'm a retired Superior Court judge and have been appointed Receiver in this proceeding instituted by the Attorney General. Can you all hear me? I—I hate to start this meeting with what looked like a funeral procession, but I got this polio when I was 40 and I haven't been able to shake it. I want to explain to you why I'm here and what we're trying to do. And very briefly I want to read you a press release that was just received and handed to me by Mr. Cole, over the signature of Herbert Armstrong.

You see, whenever charitable funds are used, the user of those funds, whoever it is, is under the jurisdiction of the Attorney General of the state of California. They have some kind of control, because those receipts of charitable funds must be used for charitable purposes. And that makes sense.

Now, this is not what we call an adversary proceeding. This isn't John Doe vs. John Smith: who wins and who loses. What has happened is that the Attorney General, who is a disinterested third party, a law enforcement officer of the state, has filed this action. No individuals have filed this action. The Attorney General has filed this action, and their deputy, Mr. Tapper, is here; and also my own attorney, Mr. Clemens, is here. Mr. Tapper, would you rise, please, so they can identify you. And Mr. Clemens.

Ordinarily a Receiver is not appointed until there is adequate notice to both sides. But here there are no both sides. The Complaint merely wants an accounting. The Complaint says that there have been allegations that there has been a misuse of charitable funds. That's what the Attorney General claims. All the Complaint wants is access to the records to prove or disprove that. No damages are being sought. Nobody's suing the church. Nobody's out to get anybody.

* * * *

Mr. H. Chodos: I wonder if perhaps the Attorney General, Mr. Tapper, might just explain a little bit from the standpoint of his office.

Judge Weisman: Oh, yes. I'd like to have Mr. Tapper explain about this, because he knows much more about it than I do. I just got into this picture—two days ago? Is that all? Two days. All right. This is Mr. Tapper, a deputy attorney general.

* * * *

Voice: In the event that any improprieties are discovered, what would happen then?

Mr. Tapper: That will depend upon what we discover. I—I cannot possibly answer the question as it would apply to the thing you're most interested in: this case; but I can tell you from past experience that have a broad range of remedies, which may include the return of real property or the surcharge of individuals, which means getting money out of them. It may involve removal of individuals permanently as trustees; injunctions against them. There—

The law is very protective of institutions such as yours, on the theory that the institution itself and all of those who run the institution are standing in a position of trust, the property being truly owned, not by the institution or individuals, but rather the people of California. This one here.

* * * *

NOTICE OF MOTION AND MOTION FOR RETURN OF PROPERTY ILLEGALLY OBTAINED AND SUPPRESSION OF ALL USE, DIRECT OR INDIRECT, OF THE PROPERTY OBTAINED; MEMORANDUM OF POINTS AND AUTHORITIES AND DECLARATIONS IN SUPPORT THEREOF

SUPERIOR COURT OF THE
STATE OF CALIFORNIA
FOR THE COUNTY OF LOS ANGELES

Case No. C 267 607

THE PEOPLE OF THE STATE OF CALIFORNIA,
Plaintiff,

vs.

WORLDWIDE CHURCH OF GOD, INC.,
a California Corporation, *et al.*,
Defendants.

Hearing Date: February 28, 1980
Time: 9:00 a.m.
Department: 80

TO PLAINTIFF PEOPLE OF THE STATE OF CALIFORNIA; GEORGE DEUKMEJIAN, ATTORNEY GENERAL FOR THE STATE OF CALIFORNIA; LAWRENCE R. TAPPER, JAMES M. CORDI, WILLIAM S. ABBEY, AND LAUREN R. BRAINARD, DEPUTY ATTORNEY GENERALS FOR THE STATE OF CALIFORNIA; STEVEN S. WEISMAN, AS FORMER RECEIVER; HILLEL CHODOS, RAFAEL CHODOS, AND HUGH JOHN GIBSON, AS FORMER SPECIALLY APPOINTED DEPUTY ATTORNEY GENERALS AND DEPUTY RECEIVERS; DAVID RAY, AS PRESENT RECEIVER; AND ALL PRESENT AND FORMER AGENTS AND EMPLOYEES OF THE STATE AND THE FORMER AND PRESENT RECEIVERS:

PLEASE TAKE NOTICE that on February 28, 1980 at 9:00 a.m., or as soon thereafter as counsel can be

heard, in Department 80 of the above-entitled Court located at 111 North Hill Street, Los Angeles, California, defendants Worldwide Church of God, Inc.; Ambassador College, Inc.; Ambassador International Cultural Foundation, Inc.; Herbert W. Armstrong; Stanley R. Rader; Ralph Helge; Henry Cornwall; and Worldwide Advertising, Inc. (hereinafter collectively "defendants"), pursuant to Section 1540 of the California Penal Code and the general jurisdiction of this Court to entertain motions to return property illegally seized, will move this Court for an order directing the return of all records, documents, files, tapes, and other written materials, and all fruits thereof, taken from the premises of defendants Worldwide Church of God, Inc., Ambassador College, Inc., and Ambassador International Cultural Foundation, Inc., at 300 E. Green Street, Pasadena, California, and of defendant Worldwide Advertising, Inc., at 10100 Santa Monica Boulevard, Suite 1330, Los Angeles, California. These illegal searches and seizures are known to defendants to have occurred on January 3 and 4, 1979, and defendants have reason to believe may have occurred on one or more subsequent days thereafter. The searches and seizures were purportedly pursuant to an *ex parte*, no-notice order issued by the Honorable Judge Jerry Pacht, Superior Court of Los Angeles County, on January 2, 1979, in this action.

The grounds of the Motion are more fully set forth in the Motion and Memorandum of Points and Authorities, but include the lack of probable cause for issuance of the *ex parte* order; failure to notify the defendants herein of the proposed order; the absence of a valid search warrant based on probable cause stating with particularity the places to be searched and the property to be seized; the illegal exploratory, indiscriminate nature of the search and seizure which exceeded the authority of the temporary receiver; the receiver's illegal appointment and reliance on specially appointed Deputy Attorneys General to perform his responsibility as a neutral

officer of the Court; and the failure to this date of the Attorney General and receiver to provide an inventory of what was seized.

The Motion will be based on this Notice of Motion; the attached Motion, Memorandum of Points and Authorities * and Declarations of Virginia Kineston, Ellis LaRavia, W. Jack Kessler, Willis J. Bicket and Charles Knowlton; the exhibits hereto (filed under separate cover); * the pleadings and papers on file herein; and such other oral and documentary evidence as may be submitted at the hearing on this Motion.

Dated: February 13, 1980.

Respectfully submitted,

SCHWALB, DONNENFELD, BRAY & SILBERT
Earl J. Silbert

MORGAN, WENZEL & MCNICHOLAS
W. Marshall Morgan

ERVIN, COHEN & JESSUP
Allan Browne
Allan B. Cooper
George P. Schiavelli
Allan Gabriel
Marcy J. Sobel

HORVITZ, GREINES & POSTER
Ellis J. Horvitz

HARNEY & MOORE
David M. Harney

BY /s/ Allan B. Cooper
Attorneys for Defendants

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* The Memorandum of Points and Authorities and the exhibits, except for the declaration of Hillel Chodos, are omitted in the printing of this motion. Some of the exhibits do appear at other places in this Appendix.

DECLARATION OF VIRGINIA KINESTON

I, VIRGINIA KINESTON, hereby declare:

(1) That I have firsthand personal knowledge of the facts herein stated and could and would competently testify thereto, under affirmation, if called as a witness.

(2) I am executive secretary to Stanley R. Rader and an employee of the Worldwide Church of God.

(3) On January 3, 1979, I came to work at 8:30 a.m. and went to my office at the Church headquarters. At approximately 9:00 a.m. I received a telephone call that Mr. Ellis LaRavia, Church Facilities Manager, had been "cornered" by a deputy and a judge. I went outside my office and saw Mr. LaRavia, who handed me a pile of documents which were purportedly issued by a court. With Mr. LaRavia was a lawyer who I later learned was Rafael Chodos.

(4) Rafael Chodos handed me a document which appeared to be an order and said "I want all files in your office." I told him that I wanted to talk to my attorney. Mr. Chodos said, "You can't talk to your attorney until after you have handed over your records and files. If you do not hand over your documents and files, we will have you arrested."

(5) I hurried back to my office and called Mr. Rader and Mr. Rader said don't do anything until these "orders" were examined by an attorney. At that point, Rafael Chodos started banging on the door to my office. A policeman with Mr. Chodos also started banging on the door and yelling that "You are obstructing justice." I explained that I wanted my attorney to advise me and the officer then began yelling obscene and insulting remarks. At that point, a policeman started banging on the glass door to my suite with his nightstick. He stated, "I will arrest you when the door is opened." I responded

that "part of my job is to take care of this office and I won't open any doors until I talk to my attorney."

Shortly thereafter the policeman left and were replaced with employees from the Attorney General's office.

(6) A justice department employee with the Attorney General's office told Gerald Lohmann, an electrician at the Worldwide Church of God, to close down the private elevator leading to Mr. Armstrong's office. Mr. Lohmann did so in accordance with the instruction. I was now sealed off from the outer world.

(7) Orders were given to block off all exits in and out of the building. Orders were given by Rafael Chodos and other members accompanying him, that no one could leave the building with papers or files. We were further told that any papers or documents coming into the building would be confiscated.

(8) A short while later I was on the telephone in my office and heard a key placed in the lock, the door opened, and a swarm of people rushed in the room and started picking up files, boxes, and otherwise seizing everything in the office that was made of paper. This group of people entering the office took into their possession all Church documents, financial documents, letters from and to members of the congregation, Quest business documentation (a publication of the Church), manuscripts for publications, computer printouts, and the like. The offices through which this swarm progressed included Mr. Herbert Armstrong's office, Mr. Radar's office, Administrative Assistants, and the Telex office.

(9) Mr. Chodos and others with him, whom I understood were from the Attorney General's office, sifted and rummaged through desks, cabinets, boxes and files throughout the Executive Suite.

(10) I was told by members of Mr. Chodos' group that all the locks on the doors would be changed and the files

would be locked up. All Church employees and an attorney for the Church, Gregg Gittler, were ordered out of the Executive Suite.

(11) When the employees came to work on January 4, they were unable to use their keys to open the door as the locks had been changed sometime during the night. All of the employees in the Executive Suite were excluded from the Executive Offices from January 3 until January 8, at which time we were allowed to re-enter the offices by virtue of a court order.

(12) Numerous boxes, cartons and briefcases of documents were carried from the Executive Suite and removed to the receiver office at another location in the building. No inventory was ever received from the Attorney General's office or the receiver for the documents seized. We know that some documents have never been returned, but do not know if there may still be other documents that are missing.

(13) On or about January 8, 1979, one of the Deputy Attorneys General, an attorney by the name of Hugh John Gibson, with a briefcase which appeared to be full, was about to leave the building. One of the employees demanded that he open the briefcase to show what he was taking out. Mr. Gibson refused to do so. On many other occasions, various others with the Attorney General or the receiver were seen leaving the building with briefcases which appeared to be filled with documents. Neither the Attorney General or the receiver ever gave any accounting or inventory of any such documents.

Executed this 12th day of February, 1980, at Pasadena, California.

I declare under penalty of perjury that the foregoing is true and correct.

/s/ Virginia Kineston
VIRGINIA KINESTON

DECLARATION OF ELLIS LA RAVIA

I, ELLIS LA RAVIA, hereby affirm and state:

(1) I have firsthand personal knowledge of the facts herein stated and could and would competently testify thereto as a witness if called under oath.

(2) I am Facilities Manager of Ambassador College and a Pastor of Worldwide Church of God.

(3) At approximately 8:45 a.m. on Wednesday, January 3, 1979, I was summoned by a receptionist in our Hall of Administration to speak to five men who were standing in front of her desk. The spokesman for the group, who identified himself as Rafael Chodos, demanded that I immediately take them to Mr. Stanley Rader's office and call all department heads to meet with the receiver that he said had just been appointed by a court. *His next statement was that Mr. Herbert W. Armstrong (our Pastor General, Founder, and God's Apostle) had been removed from our Church and that Mr. Rader had also been removed from our organization. And, pointing to Steven S. Weisman, Mr. Chodos then stated, "Judge Weisman is now in charge."*

Rafael Chodos then handed me a sheaf of what appeared to be legal papers, approximately two inches thick, and said that it was the court order and that I should abide by it immediately. He repeated his demands and reminded me that Judge Weisman was now in charge and that Messrs. Armstrong and Rader were removed from our organization.

I requested an oportunity to consult with legal counsel before acceding to their demands. Either Mr. Chodos or Mr. Weisman stated that I should comply immediately or I would be held in contempt of court. I was able to persuade them, however, to wait in a conference room in the

third floor of the building while I tried to contact attorneys for the Church.

I immediately went to Mr. Rader's office and asked his secretary to try to contact Mr. Rader. I returned directly to the conference room and was then informed that Weisman had authorized the City of Pasadena police to come in and enforce the court order. Although the police arrived and requested my compliance, their city attorney later decided that Pasadena had no jurisdiction.

My office then informed me that Mr. Ralph Helge, an attorney for the Church, was out of town but had been contacted and could be back around 2:00 p.m. Judge Weisman stated that he would take no action until 2:15 p.m. During this period of time, however, several threats were made that doors would be broken down to gain access to the executive suite of offices on the fourth floor of the building.

At approximately 2:15 p.m., Mr. Gregg Gitler, special counsel, arrived and we asked two stenographers to accompany us to the conference room to meet with the Judge. During the course of our conference Mr. Gittler read the order and informed me that he was of the opinion that it was void both for procedural reasons and because it was violative of the first amendment rights of the Church. A true and correct copy of the stenographer's typed notes is attached hereto as Exhibit *A*. At the conclusion of that meeting, the Judge ordered Hillel and Rafael Chodos, attorneys for the relators, to use whatever force necessary to gain access to the offices on the fourth floor that were locked.

(4) One of the Chodos brothers stated to me sometime on January 3, 1979, that Mr. Garner Ted Armstrong had provided them with certain information that would eliminate Mr. Stanley Rader, and perhaps, even Mr. Herbert W. Armstrong from the Church forever. Garner

Ted Armstrong is a "disfellowshipped" (similar to "excommunicated") individual who has also been "marked" by our ministry for trying to lead our members astray and to follow after his heresy.

(5) On the morning of Thursday, January 4, 1979, I was in my office in the Hall of Administration and was talking with Mr. Herbert Armstrong on the telephone. My secretary interrupted to tell me that Rafael Chodos wanted to see me and that I was to report to the receiver immediately. I continued with my telephone conversation, whereupon my secretary later told me that Mr. Chodos became quite impatient and stated to her that the guard he had with him was armed and threatened "if you don't let me in to see Mr. LaRavia, do you know this man has a gun." He then burst through two closed doors and I concluded my telephone conversation and accompanied him to the receiver's office. Shortly before noon I was suspended from my duties and escorted from my office by two security guards.

(6) The foregoing portion of this declaration was composed and transcribed on or about January 10, 1979.

Executed this 4th day of May at Pasadena, California.

I declare under penalty of perjury that the foregoing is true and correct.

/s/ Ellis La Ravia
ELLIS LA RAVIA

EXHIBIT A

January 3, 1979

Present: Judge Weisman, Messrs. Rafael Chodos, Hillel Chodos, Greg Gittler, Ellis LaRavia, William Sprouse

Judge (to Gittler): I think the first thing you ought to do is read the order.

Gittler: I agree. We were trying to get a tape recorder so that we could get all of this down on some sort of formal record. We do have two stenographers as a stop-gap measure.

R. Chodos: Are you authorized to accept service on behalf of Mr. Helge or on behalf of any of the corporations?

Gittler: I am not. I was asked to come down because Mr. LaRavia was under pressure to get some kind of legal counsel. He was advised very briefly and is attempting to get in touch with Judge Pacht. There has been no notice—the four-hour notice—required under the Los Angeles Superior Court rules.

R. Chodos: It was a special ex parte proceeding.

Gittler: There must be four-hour notice.

R. Chodos: Or other rule not to give it.

Gittler: I am unfamiliar with that rule. If there isn't a proper notice, the order is in fact void; and everybody involved will have serious exposure to the damages. I think there has been considerable damage already, and I myself have not even read the order yet.

Judge: Why don't you read the order?

Gittler: Okay. The caption refers to et al. Do you know who the individual defendants are?

R. Chodos: Here is a complaint file of all the proceedings?

Gittler (to Judge): By the way, I very much want to thank you for your indulgence. I know this is consuming a lot of your time.

————————: Are you aware that someone down in the executive area is saying that either we enter or we break down the door?

LaRavia: I thought that we had agreed on no entry at this point.

R. Chodos: We agreed until 2:15.

LaRavia: I thought we were going to discuss everything and talk about it.

Judge: Either the order is to be acted upon by counsel. Have you read it?

Gittler: I am still on the top of page 2, Your Honor.

Judge: Well, read it.

(Interruption by H. Chodos.) H. Chodos: I understand Mr. LaRavia to indicate that you had authorized entry upstairs.

Judge: I said we would hold off until 2:15.

LaRavia: It was my understanding we wouldn't do anything until we discussed with counsel.

Judge: This is a deal where Mr. LaRavia received all the papers this morning in one bunch and he looked at just the first where it said returnable on January 10 and said he didn't want to read the rest until on advice of counsel. Page 3 allows immediate access by me. It is my understanding you were going to get here by 11 or 12, and then we made a deal for 2. Mr. LaRavia said about 2:00 or 2:15. I said 2:15. We waited until 2:20.

H. Chodos: We are to open the door right now.

Gittler: This is the first time I have had an opportunity to look at these papers. For lack of notice, I am not real familiar with the facts so far. Order is totally void. I am not sure a bond has been posted. Because of this serious action, as I understand it, guards have been posted. So that any interest that the plaintiff may have that such records may be (omission) to commence ———

of those records, to start going through documents, to take possession of assets, I think causes irrevocable harm without the opportunity to have ———————— our defenses, our objections—to indeed prove that our objections are valid.

Judge: Would you please read the order. That's what you're here for.

Gittler: I am trying to preserve my clients' rights as best as I can.

H. Chodos asked if they should open it now.

Judge: Wait 'til he reads the order. That's what I want him to do.

Gittler: I have now quickly read the order.

Judge: Mr. Gittler, with the exception of your claim on the court rules on no notice, otherwise is that order a valid order, in your opinion, giving me immediate powers of receiver, assuming the oath was taken, as I represent it was, by me, and assuming the bond was put up by me, is that a valid order?

Gittler: I was not aware that the state attorney general does not have to post a bond.

Judge: Now, with the exception of notice, is it your opinion that this is a valid order giving me authority to act as receiver, particularly paragraph 3, page 3, in order to operate now, not until after January 10?

Gittler: Operate now without your reasonable discretion to protect a diversion or misappropriation of assets as in the order. I am still not quite clear as to what is actually going on at this point.

Judge: It is my understanding that my duty as receiver is merely a shift of control from the Board of Trustees to the receiver. It's a shift of authority. So I'm just being substituted for the Board of Trustees; and as long as I am in charge, I want to be able to see all the records, and the doors have been locked. Is that a fair statement? I don't fault Mr. LaRavia for waiting for legal advice. But the point is I am in lieu of the

Board of Trustees now, and the Trustees have the right and duty and responsibility to go through all the records, and I want that same right and I'm being denied it.

Gittler: What is the urgency to go through those records now before Ralph Helge has the opportunity to talk to Judge Pacht today?

Judge: There is the possibility, it is more than just rumor, because the attorney general brought this action, not some disgruntled members of the church. The urgency is that there is more than a possibility that there may be some destruction of records going on. But I want to be sure that they stay where they are.

Gittler: There are guards now posted to make sure that those records are not removed or misplaced.

Judge: They are not to be taken away.

Gittler: To assure themselves that nothing is being changed, moved or diverted. As I understand ——— are the only ———————————.

Judge: The attorney general wants until January 10 to come up with hard evidence to support this position.

R. Chodos: The considerations you are raising have all been ———————————.

Gittler: It seems to me that it is somewhat suspicious that for the first time this morning, the defendants have been put on notice and that as long as you are assured that those records are not being changed or moved, the defendants should have an opportunity to talk today to Judge Pacht to present their side of the story. It seems that they cannot wait for six hours.

———————: Who are you representing?

Gittler: I am making an emergency appearance as Ralph Helge is somewhat in transit. As soon as he is (omission).

H. Chodos: Which clients are you here for?

Gittler: All of the defendants. I am here to make objections on the record to any intrusions (?)

H. Chodos: There are principally two locations at which pertinent records are stored: fourth floor ——— which were locked this morning when Judge Weisman appeared. That was done on the instructions of Mr. Rader or Mr. Helge. Inside that room there are people walking back and forth carrying things, who can be seen through the glass. We believe they are rearranging, destroying, or concealing records. We want to go into that office and seal them so that (omission). All of the people left it at 12. Inside there are financial records, computer records—those records are not being adequately safeguarded. We have waited five hours for Mr. Helge. Mr. Helge is a director of these corporations. I don't know whether it is appropriate for Mr. Helge to act as counsel in this matter other than for himself.

LaRavia: Judge, can I make a comment? If indeed the destruction of records is the problem, if we removed immediately all people from these premises, you continue to guard them until you have opportunity to get to Judge Pacht, would this fulfill your requirements?

Judge: We have, the attorney general has until January 10. If this order is valid other than that notice bit, outside the notice it is your opinion that I am in charge right now to do what is set forth in that order?

Gittler: Without opportunity to research, I can't respond because I don't know what other defects exist.

Judge: The attorney general thought it was important enough to file the law suit and Judge Pacht saw fit to give me authority. I want to give my friend a chance to read beyond (?) what he read. At 11:30 we found that somebody was coming in from Tucson. But the point is I am in charge now and I want you to advise your client that I am in charge. Now, if you won't do it, we're going to take other action. So, I'm off the hook and you're on.

LaRavia: I am asking for your indulgence for just a reasonable period of time. To get all of our people out. The records are secure.

Judge: I have ultimate confidence in you.

Gittler: I can't believe that counsel will not be in contact with Judge Pacht before the day is over.

Judge: Either I'm in or I'm out. I think I'm in.

R. Chodos: What is the damage of which you speak?

Gittler: Whenever somebody touches records, there is always the possibility that they will be lost. In the state the plaintiffs can assure themselves that they won't be hurt by taking Mr. LaRavia's offer.

R. Chodos: There is also an attempt here to inspect them.

Gittler: As long as you are assured that those records are not going to be changed or removed.

R. Chodos: Why have you substituted the date of January 10 to January 12?

Gittler: You would have to agree that in order for him to ————, you are required to give four hours' notice for that very purpose.

R. Chodos: He listened to all these considerations and balanced them and decided there will be a temporary order until January 10.

Gittler: When you say conflicting considerations, are you telling me that the plaintiff made the argument for the plaintiff as well as the defendant?

Judge(?): A record was made in Judge Pacht's chamber when this order was issued, in which he raised the fact that your side was not represented. The records and property of this church are under the supervision of the court. There is no legal theory of any kind that will prevent the court or attorney general from examining the records of this church at anytime. You are welcome to go down and see Judge Pacht to see if he will change the order. We have been waiting seven hours to hear essentially nothing more than you've said to us.

Gittler(?): I am asking that you assure yourselves, take whatever measures you need to post guards and that we present to Judge Pacht our position to deter-

mine if you take the next step of going through all those records.

(Beginning of tape-recorded portion. Omission.)

Gittler: . . . today or tomorrow and start going through all those records, take the chance of destroying them, losing them, misplacing them, perhaps obtaining information which is protected under the Constitution for one reason or another.

LaRavia: And Judge, at that time I'm willing to say Judge, I have exercised my responsibility, and, you know, you in your fairness, and you've given us a chance at least, with no further deterioration.

Judge: You, you've done all you can do. Mr. Gittler, let me give you a hypothetical. Let's assume, this is assume—don't get me wrong—that there is a nefarious person here in the organization that is intent on destroying one or more of the records. And he has access to these records and we don't. You say posting guards to get everybody out of the building. Are you implying that we have a guard all night long at every door?

Gittler: No, Your Honor. In fact, as I said . . . .

Judge: How is it possible?

Gittler: . . . I trust that we will be able to get to Judge Pacht before the end of this working day, which would make that concern moot.

LaRavia: Right. That's all we're saying, Judge. That's all we're saying. And you've been very reasonable on this matter and to me it's a reasonable approach.

Judge: Well, the point is I can be so broad-minded that I become soft-headed, and I don't want to be that.

LaRavia: No, I'm saying that; I'm not asking that.

Judge: Now, we've waited since 9:00 this morning. No harm is going to be done if they just start inventorying the record. They're not going to take anything.

R. Chodos: That, I agree, is an equally acceptable procedure, that the doors ought to be opened and you

ought to go in and inventory, as you suggest, and by 5....

LaRavia: But to me that is a major step further.

Judge: If there's nothing to hide, what's the harm?

LaRavia: Well, I'm not saying, you know, I'm not....

Judge: The attorney general, I don't care who you voted for in the last election, but the attorney general is an independent party.

LaRavia: Exactly, exactly. I'm not trying to hide anything. I don't think we have anything to hide.

Judge: I know you're not; I know you're not.

Gittler: It's not so much a matter of whether anybody is trying to hide anything as whether there is that right in the first place to see those records.

Judge: As far as I'm concerned, there is, by that order. And if you don't agree on it, I'll accept service of your complaint against me at anytime.

R. Chodos(?): That's the point—you're in the wrong forum.

Gittler: Well, I think I'm in the only forum I can be in at this point, due to the exigent circumstances, and all I can do is express my position as to the law and the facts and the equities and what I think is....

Judge: You've expressed it. I am sufficiently forewarned, advised of what might happen to me, what dire things might happen to me, but I've got to do my duty.

Gittler: But could you just give us 'til the end of this working day at least?

R. Chodos(?): Well, Judge Pacht leaves the bench usually around 4.

LaRavia: Well, I think we could hear by that, then, by the end of this working day as to what's happened with Judge Pacht or whether he's been willing to....

Judge: How do you know Mr. Helge's over there?

LaRavia: Well, that was his intent.

————: It was his intent to be here....

LaRavia: Well, right, but then he decided, well, well, he couldn't; that wasn't his fault; he couldn't be here.

R. Chodos?: Why don't you call Judge Pacht? 974-5881, I believe. (Judge dials phone.)

H. Chodos?: Maybe it's 883.

R. Chodos: Department 85. His clerk is Marjorie Fullings (sp.?).

Judge: 974-5881?

H. Chodos?: 83, I think, sir.

Judge: Marjorie? Hi, this is Judge Weisman calling. In that action where I was appointed receiver yesterday —is there a Mr. Helge or any other attorney there to see Judge Pacht? And has there been today to your knowledge? When does Judge Pacht usually leave? All right. Thanks very much. Yes, if he should come in—Helge.

LaRavia: Helge—H-E-L-G-E.

Judge: If he should come in, would you call me at....

LaRavia: 577-whatever the other four digits are.

Judge: 577-5104. But he hasn't shown up yet. Yes, it is still. Thank you. (Hangs phone up.) No Mr. Helge.

LaRavia: How long is the Judge in?

Judge: He stays between 4 and 4:30.

Gittler: Is there any way that you know how to get in touch with Ralph to find out if he's ————?

LaRavia: I can try again, yes. I can try again to see.

Gittler: Why don't you do that right now.

LaRavia: Okay.

Judge: Do it right here. I did it right here.

LaRavia: I don't have the number right here that I can call.

Judge: Mr. Helge's number?

LaRavia: No, well, wherever it is; I'm not even sure where it is where I talked to him, where he called me from, but I do have it upstairs. So, let me see if I can get in touch with him. (Leaves room.)

H. Chodos?: Judge, for the record, we have these people from the Department of Justice here and we have the people ———— and they're going to have to go home before too long. If you don't do something now, we're not gonna be, we really are gonna be in a pickle.

Judge: Well, I'm gonna wait 'til Mr. LaRavia makes his call, and then I'm gonna turn you loose. But I want to do all I—see, I'm not an advocate(?) here—you fellows are advocates, and you're an advocate, I'm supposed to be . . . .

Gittler(?): You're in the middle.

Judge: So I'm used to getting threats from both sides, so I don't mind them from you.

Gittler: Off the record, Your Honor, if . . . .

Judge: Keep it on the record.

Gittler: . . . if you took any. . . .

Judge: Let's see, we had how many state auditors—two?

————: Two state auditors.

Judge: Two state auditors, two more private auditors, one—how many state security people?

————: We had two state security people, we had four Pasadena local police officers, sheriff's agent, district attorney, and we've had—many services have been extended in an attempt to enforce the order.

Gittler: Not that this has any pertinence to that, but I'm sure that the defendants, the corporations would certainly be happy to reimburse the state for any cost so expended if that is the concern.

————: No, it's not the concern; but it's not their happiness that's involved. The problem . . . .

Gittler: Excuse me for the misuse of words; but, as I also understand it, the usual procedure is to be given the opportunity to post bond and the receivership contacts . . . .

Judge?: Not the attorney general.

Gittler: No, no, no, no, no; the defendants, the defendants be given an opportunity.

————: Well, the receiver has to post the bond because he's receiving the property.

Gittler: I understand that; but is there not also an option on the part of the defendant to post a bond in order to alleviate the . . . .

————: In lieu of the receiver?

Gittler: In lieu of the receiver.

————: Your Honor?

————: I believe if it's an adversary hearing, that that can be one of the strategies adopted by the hearing court.

Judge: I don't know.

————: If he denies the motion for a receiver.

Judge: Well, if he denies it . . . .

————: He may, in the alternative, allow a bond to be posted ———— they're not coordinate procedures.

————: Just like a release (and attachment bond) (?) or something.

————: No one has heard from Mr. Helge.

Judge: Look, I don't want to wait any longer. Would you mind going up to Mr. LaRavia's office?

Gittler: Not at all, Your Honor. I'll run up there.

Judge: We're ready to go unless we have some positive evidence that Helge is over in Judge Pacht's. (Gittler exits.)

Gittler: For the record, I'm sorry to keep you waiting, Your Honor, I have been in touch with Mr. Helge. He's apparently going through the papers now as fast as he can with counsel. He doesn't know when he'll be able to meet with (?) Judge Pacht, although he anticipates by the end of the day that action will be taken. His analysis concurs with mine, and that is that the order is void and unconstitutional. Again, I have had not the benefit of a careful analysis or the opportunity to research the subject. I understand that Your Honor

has presented the alternatives of us either refusing or complying with the order at this point. I at this point, in view of my discussion and also my cursory analysis, have to instruct the defendants to not comply with the order. I also anticipate that after someone does have the opportunity to review this, they will realize that there were no grounds, no appropriate grounds . . . .

Judge: Let me get this straight. You're advising your client, or the person that you're appearing for specially, not to obey the court order. Is that correct?

Gittler: That's right, Your Honor, in that I think that the order is void.

Judge: Well, now, use whatever force you need to get in there, right now.

————: Thank you.

Judge: Sorry, sir, but that's ————————————.

LaRavia: Well, I regret it, Judge. I regret it. I think it's a horrible injustice.

Judge: I've got to do it.

LaRavia: I don't think so, Judge, but that's your opinion.

Judge: Well.

LaRavia: I don't think so. You may feel it's your obligation, but I think . . .

Gittler: Your Honor, as I understand it, now they will be inventorying the records?

Judge: That's all. Nobody's going to destroy anything. That's against their purpose to destroy. They want to show that the records show that there is some malfeasance. Now, you order it on the record. And I'm complying to the court order. (Unintelligible) . . . you just remember that.

Gittler: I understand. I'm fully cognizant of the possible consequences.

CHARLENE D. HARGROVE

DECLARATION OF W. JACK KESSLER

I, W. JACK KESSLER, declare that:

1. I have been, and am, a certified public accountant duly licensed to practice in the State of California.

2. I have been, and am, the managing partner in the accounting firm of Rader, Cornwall, Kessler and Palazzo.

3. On January 3, 1979, Hillel Chodos (deputy attorney general, deputy receiver, and attorney for the relators in the instant action), Hugh John Gibson (extent of deputization unknown, but also attorney of record for the relators), and a Special Agent, State of California, Department of Justice, enter our Los Angeles offices and serve me with a copy of the original complaint, an unsigned copy of an order purportedly issued by the Honorable Jerry Pacht, Judge in Department 85 of the Los Angeles County Superior Court, and a summons. They then demand that I immediately turn over to them any and all of our files and records pertaining to our clients Worldwide Church of God, Ambassador College, Ambassador International Cultural Foundation, and other named defendants. I request and receive permission first to read the complaint and the order. Upon reading the order, I note that the receiver had been empowered to take immediate possession and control of all books and records of the nonprofit, corporate defendants only (Judge Pacht having manually marked through the names of the other defendants). I inform the men that we do not have any of the records of the Church in our possession, that the files in our offices are our property, and because I feel that our records are not subject to the order, I am not inclined to release them absent permission from our clients.

4. Mr. Chodos informs me that his powers are sufficiently extensive to embrace taking our records, and

that if I do not believe him, I should call Deputy Attorney General Lawrence R. Tapper.

5. I call Mr. Tapper at the Los Angeles offices of the Attorney General. He indicates that he is indeed in charge of the investigation and that if I do not immediately cooperate, I will be thrown in jail. I tell him that I do not think that the order applies to our correspondence, billing, and other files, because even though those files concern the Church, they nonetheless are not Church documents or records. Mr. Tapper, raising his voice for emphasis, threatens immediate incarceration and asks me to report to him any other instances of resistance of the Court order. He assures me that any who impede will be cited for contempt and that my failure to report them will be considered aiding and abetting. I thank him for his advice.

6. Because clients are present in our offices and especially because my wife who is pregnant with our first child (then nearing the end of the critical, first trimester) is also present, I am not anxious to cause a scene and become a martyr. Weakening, and with one eye on the swarthy (probally armed) Justice Department Special Agent, I show Mr. Gibson the location of our files. He has already arranged for Beverly Hills Blueprint Co. to come and pick up our records. They enter and cart off 10 full boxes to the freight elevator.

7. Later that day, I call Mr. Gibson and again protest the removal of our records. I demand their immediate return.

8. We seek the return of our records from Beverly Hills Blueprint Co., from Receiver Steven S. Weisman, and from Deputy Chief Operating Officer Lowell H. Dugan, all to no avail.

9. Mr. Hillel Chodos assures the Honorable Vernon G. Foster in open court on January 5, 1979, that our records

will be returned by the following Monday. Judge Foster had ordered their return within 48 hours. Mr. Chodos similarly assures the Honorable Julius M. Title on January 12, 1979, that our records really will be returned. His repeated assurances prove vacuous.

10. The Attorney General's office and the receiver and their accountants end up having our records for an extended period of time, and Peat, Marwick, Mitchell & Co., accountants for the receiver are still in possession of the copies for which the church is forced to pay $1,627.25 to Beverly Hills Blueprint Co. for duplicating fees.

11. Neither I nor any member of our firm ever receive an inventory of the records that were seized by the deputy attorney general and counsel for the relators. We do not maintain a detailed inventory of the contents of each of our files, but I am generally familiar with their contents. Upon the belated return of the original copies of our documents, we attempt to determine if any are missing. This task is hampered by their now jumbled state; however, I have been able to determine that at least one important document was not returned. The missing document is my file copy of a confidential letter that I had written to Mr. Herbert W. Armstrong, dated December 30, 1977. Because this letter is later quoted in part, though not in context, by Mr. Mike Wallace on a national television program called "60 Minutes", I look for it in our files and am chagrined to see that it is not among the records that were returned. I am able to determine to my satisfaction and the best of my belief that the letter was present in the files that were taken by the State. The letter discusses with some candor certain financial and organizational problems then experienced by Worldwide Church of God that had come to my attention.

12. I am uncertain whether other documents were taken or misplaced by the State during the time that

the original copies of our records were out of our office. I do not know whether copies other than the above-mentioned $1,627.25's worth were made or how wide their distribution may have become.

13. I Declare under penalty of perjury that the foregoing is true and correct. Executed on February 12, 1980, at Los Angeles, California.

/s/ W. Jack Kessler
W. JACK KESSLER
Declarant

DECLARATION OF WILLIS J. BICKET

I, WILLIS J. BICKET, hereby declare:

(1) That I have firsthand personal knowledge of the facts herein stated and could and would competently testify thereto, under affirmation, if called as a witness.

(2) I am employed by the Worldwide Church of God as Assistant Treasurer. In this capacity, I have responsibility for and supervision of the Church's data processing and accounting functions at the Church headquarters in Pasadena, California, which duties I have now held for approximately five years.

(3) In these departments, we direct the major portion of the above-mentioned Church functions for the entire world. As used in this declaration, the term "Church" includes Ambassador College, Worldwide Church of God and the Ambassador International Cultural Foundation.

(4) On January 3, 1979, I received a report that the Church and College offices had been raided by the receiver and agents from the Attorney General's office. At about 12:00 a.m. I instructed the employees under my supervision to lock up the Data Processing Center and go home. As the employees left the building, some of them had their briefcases searched by officers who were stationed outside the building. I made certain that the building was secured and locked, and I and some of my supervisors were the last employees to leave at about 12:30 p.m.

(5) When we attempted to enter the building on January 4, we discovered that all of the outside doors except one had been locked and keys broken off in the locks so that they could not be opened. The lock on the fourth outside door had been changed so that neither I nor my employees were able to enter. We were locked out of the building until January 8 or 9, during which time

agents of the receiver and Attorney General occupied the building.

(6) One of my employees reported to me that on or about January 4, he was called in and asked by agents of the receiver and the Attorney General (specifically Deputy Attorney General Rafael Chodos) to activate the computer in order that Mr. Chodos might obtain access to the master computer records. At the time Mr. Chodos had with him a Church employee and former manager of the Data Processing Center, Mr. Benjamin Chapman, in attempting to activate the computer.

(7) During the time that Church employees were locked out of the Data Processing Center, I received reports from various employees who reported seeing agents of the Attorney General and the receiver carrying briefcases out of the Data Processing Center. No inventory or accounting was ever given to me of documents and records searched or removed from the Center.

(8) Upon gaining access to the building again at the end of the lockout on January 8 or 9, I and several of my supervisors made an inspection tour of the Center. The Center was in a state of disarray. Cabinet doors and files were open. Books, records and documents were out of their places, some laying open on desks. Files, binders and records were scattered about.

(9) There was evidence that someone had attempted to activate the computer. The master tape library listing of computer tapes was lying open, and, underlined in red, was the master record tape which contained the master list of all members, co-workers and donors of the Church.

Executed this 12th day of February, 1980, at Pasadena, California.

I declare under penalty of perjury that the foregoing is true and correct.

/s/ Willis J. Bicket
WILLIS J. BICKET

DECLARATION OF CHARLES KNOWLTON

I, CHARLES KNOWLTON, hereby declare:

(1) That I have firsthand personal knowledge of the facts herein stated and could and would competently testify thereto, under affirmation, if called as a witness.

(2) I am employed by the Worldwide Church of God as a part-time security officer for Ambassador College in Pasadena, California. I am a full-time theology student and a member in good standing of the Church.

(3) On Thursday, January 4, 1979, I was asked by my superior in the Ambassador College Security Department, Mr. Bill Sprouse, at about 4:30 p.m., to do some special duty in the Data Processing Center of the College. I was to be an observer to accompany the attorney from the Attorney General's Office, Mr. Rafael Chodos, and six other men in the process of reviewing College and Church records in the building. I was in the company also of Mr. Richard Rice, head of the Church mail processing department.

(4) At approximately five o'clock Mr. Rice left the building and I was left alone with the other men. Mr. Chodos instructed the other men to look specifically for Church membership records, financial records, bank statements and property deeds. He also asked them to look for other items which I cannot recall at this time.

(5) During the time we were there, those men took and removed from the building at least three large blue-covered volumes about 18″ x 15″ and three inches or four inches thick, which appeared to contain computer printouts.

Executed this 12th day of February, 1980, at Pasadena, California.

I declare under penalty of perjury that the foregoing is true and correct.

/s/ Charles Knowlton
CHARLES KNOWLTON

DECLARATION OF HILLEL CHODOS

I, HILLEL CHODOS, hereby declare as follows:

1. I am one of the attorneys for the People of the State of California, plaintiff in the within action. I make this declaration in support of an application for an award of attorneys' fees to be paid to me and the other private counsel who have represented the People in this matter, out of the funds of the charitable corporations for whose benefit this action was commenced.

2. I was admitted to the California Bar in January of 1962, and am currently admitted to practice in the California courts and in various federal courts, including the Supreme Court of the United States. My practice has always consisted principally of complex and unusual litigation in both state and federal courts, at both the trial and appellate levels.

3. Most of the matters that I handle are business controversies, usually involving amounts of several million dollars.

4. While I occasionally handle matters on a contingency-fee basis, most of my professional activities are regularly billed and paid for by my clients on a monthly fee-for-service basis, based on time spent. In this regard, although I have always refrained from maintaining daily time records, my customary fee agreement is that I will be paid for my time at $200.00 per hour; and I am currently receiving fees on that basis from numerous clients. In this regard, I have explained to each of my clients that, while I do not maintain daily time records, I regularly compute the time spent at the end of each month, based on a review of my calendar and my file, and my recollection of what was done and what time I spent. In each instance, my arrangement with my clients is that the transmission and payment of a bill

at the end of any month will constitute an acocunt stated between us for all services rendered through the closing date of the billing.

5. In the summer of 1978, I was contacted by Peter S. Pearlman, Esq., a partner in the New Jersey law firm of Cohen & Lifland. Although Mr. Pearlman and I had never met, we have become acquainted professionally through our mutual involvement in certain stockholder class actions arising out of an attempt by Bourns, Inc. (a California corporation) to squeeze out its public shareholders at a price per share substantially below book value.

6. Mr. Pearlman told me that he had been contacted by several members of the Worldwide Church of God resident in New Jersey who had information indicating a substantial likelihood of gross malfeasance and misfeasance on the part of officials of the Worldwide Church of God, Inc. and its related entities. He inquired whether I would be willing to file a California lawsuit based on this information. I told Mr. Pearlman I would look into it, and get back to him.

7. For several months, the press of other matters I was handling was such as to prevent me from devoting more than a few hours to Mr. Pearlman's inquiry. I did ascertain, however, that individual church members, even though they may have been very large contributors, did not have standing individually to bring or maintain actions based on mismanagement of charitable funds. On the contrary, under established principles of California law, their sole remedy would be to bring their charges to the attention of the Attorney General in his official capacity as a representative of the State in its role as parens patriae, and persuade the Attorney General to take such action (or authorize them and me to take such action in the name and on behalf of the People

as might be warranted. I therefore contacted Lawrence R. Tapper, Esq., the Deputy Attorney General handling charitable trust enforcement litigation in Southern California. I had had conversations with Mr. Tapper on various occasions over the years because many of the lawsuits that I handled involved the interests of charitable trusts or foundations under his supervision. Mr. Tapper told me that, before the Attorney General could make any determination what action, if any, to take in the matter, it would necessary be for a complete summary of the claims of improper trust management to be organized and presented to the Attorney General's office. Mr. Tapper sent me a copy of the provisions of the Administrative Code relating to applications for "leave to sue," and the granting of relator status.

8. After additional conversations with Mr. Pearlman and Mr. Tapper, I undertook to meet and to speak with various Church members claiming to have information concerning improper management of charitable trust funds and assets by the persons in charge of the Worldwide Church of God and its associate corporations, including particularly Messrs. Herbert W. Armstrong and Stanley R. Rader. These people furnished me information showing, among other things, that the Church and its associated corporations had assets in the vicinity of $80,000,000; that they had annual receipts in the vicinity of $70,000,000; and that they were represented by counsel and controlled a large and tightly-knit organization. The persons who agreed to serve as relators or declarants in support of an application to the Attorney General, or an ultimate application to the courts, advised me that they simply did not have the means even to advance—let alone to pay for—the legal services that I told them would probably be required in order to have proceedings instituted to review and correct any mismanagement of charitable funds by the persons in charge of the Church and its associated companies.

9. Ultimately, I became convinced that the information and evidence in the hands of my informants were adequate to justify a formal presentation to the Attorney General, and thereafter to justify the granting of appropriate relief by the courts. I therefore discussed the matter again with Mr. Tapper, summarizing for him the information I had received. Copies of much of the documentary material were furnished to Mr. Tapper for his perusal.

10. Mr. Tapper and I then discussed what procedures would be appropriate in order to bring the alleged improprieties to the attention of the Court, and what relief should be sought. After considerable discussion and review of the pertinent authorities, I suggested to Mr. Tapper that the most appropriate procedure would be to sue to compel the charitable corporations to render an independent and reliable accounting of their affairs in recent years, since no such accounting had ever been rendered, and since the Attorney General and the courts were entitled to such an accounting as a matter of right. We further discussed that, in view of the fact that the Church and its associated corporations had never actually been governed by an independent board of directors or trustees, it would be necessary to seek a judgment directing that a proper board of directors or trustees be selected to oversee the management of the financial affairs of the Church and its related corporations in the future. Further, as remedies ancillary to the request for accounting, Mr. Tapper and I discussed that the Court should be asked to appoint a receiver *pendente lite* to serve, in effect, as a substitute trustee for the purpose of obtaining the accounting, and that suitable powers should be sought for the receiver, and suitable injunctions obtained, in order to permit him to conduct whatever activities were necessary in order to preserve and protect the assets and obtain the requisite accounting.

Finally, we discussed the fact that *ex parte* relief would have to be requested without notice, because of what appeared to us to be a substantial risk that assets would be taken and records would be removed, altered, or destroyed by the defendants if advance notice were given.

11. Among other things, Mr. Tapper and I discussed the fact that the Attorney General had limited staff and resources available with which to discharge his statutory and legal responsibility of supervising charitable and non-profit corporations. In essence, Mr. Tapper explained to me that there were five deputies available to supervise approximately 50,000 non-profit corporations, including but not limited to churches, hospitals, educational institutions, and foundations. Mr. Tapper told me that the Attorney General simply did not have the legal or accounting staff available to conduct an accounting at public expense through the medium of adversary litigation procedures of an organization as large and ramified as the Worldwide Church of God and its associated corporations. He therefore explained to me that it would be a condition of the Attorney General's decision to pursue the matter that I would undertake to furnish all legal services required in order to file the lawsuit, obtain the appointment of a receiver *pendente lite*, and protect any order granting a receivership from attack in the appellate courts or the federal courts; and upon my further undertaking that I would look only to an award from the Court out of the funds and assets of the Church and its associated corporations for compensation. As further conditions, Mr. Tapper told me that I would have to comply with all applicable provisions of Title 11 of the Administrative Code, including particularly:

(a) That I would have to prepare and present, for review and ultimate signature by the Attorney General, a complete set of proposed pleadings, including any papers required in order to obtain provisional relief; and

(b) That I file the $500.00 bond required by the regulations.

12. Mr. Tapper indicated that, if these conditions were satisfied, and if the filing and maintenance of the suit were approved by the Attorney General's office, I would have to bear the brunt of all court proceedings pertaining to the establishment and maintenance of the receivership, although he contemplated that he might participate in and attend such proceedings as his own schedule and other official commitments would permit.

13. I am and always have been a sole practitioner. I have no law partners, and I do not have and have never had any lawyers or law clerks in my employ. At the time of my discussions with Mr. Tapper, my time was heavily committed to other litigated matters in the trial and appellate courts. I recognized that, while Mr. Pearlman and his firm were performing essential services in collecting and transmitting to me essential information necessary for the litigation through their informants in New Jersey, they would not be able to provide meaningful assistance in the preparation of court papers and the handling of court hearings in the California courts. I therefore solicited the assistance and cooperation of two young lawyers: Hugh John Gibson, Esq., who rents an office in the suite which I occupy; and Rafael Chodos, Esq., my younger brother, who was admitted to the Bar about eighteen months ago, and who rents an office from another lawyer in my building, in a suite adjacent to mine. Neither Mr. Gibson nor my brother Rafael is associated or connected with me in the practice of law in any way. They did agree, however, to assist me in this particular matter on the understanding that they, like me, would look exclusively to the Court to award them compensation for their services out of the charitable fund for whose protection the receivership was to be sought and maintained.

14. During the month of December, Messrs. Gibson, Rafael Chodos, and I spent many hours reviewing documents furnished by the proposed relators, interviewing witnesses, and drafting and preparing the complaint and the *ex parte* application for temporary receivership, temporary restraining order, and injunctive relief, which were ultimately filed with this Court on January 2. During the same period, we also conferred and consulted with Messrs. Pearlman and Hermann in order to obtain such information as they had collected from their information sources.

15. The pleadings were ultimately put in final form by December 28, 1978. On December 29, 1978, Mr. Gibson and I met with Mr. Tapper at his office on Wilshire Blvd. to submit multiple copies of the proposed pleadings for his review and approval. At the same time, I also supplied to the Attorney General a $500 cashier's check (the funds for which I personally supplied) in lieu of the cost bond required of relators under Title 11 of the Administrative Code. Mr. Gibson and I spent most of the morning explaining and discussing the papers with Mr. Tapper. He then requested that we leave the papers with him so that he could consider them further, and discuss them with other persons in the office of the Attorney General. Ultimately, Mr. Tapper advised me that the Attorney General would approve the filing of the action and grant formal leave to sue; but by that time, it was too late in the day to file the papers or to seek the *ex parte* orders. Accordingly, a determination was made to postpone the filing of the action until the next available court day, January 2, 1979.

16. On the morning of January 2, 1979, I contacted the Clerk in Department 85, indicating that I intended to appear later that day to seek an *ex parte* receivership, temporary restraining order, and order to show cause re preliminary injunction. I explained to the Clerk that

the circumstances were such that I did not intend to give any notice whatever to the proposed defendants, because I feared that the giving of such notice would cause irreparable injury. The Clerk then put me through to Judge Pacht, who had just been assigned to the Writs and Receivers Department from the Appellate Department. I was and am acquainted with Judge Pacht through various professional contacts I have had with him over the years. I spoke to Judge Pacht for less than two minutes, explaining the general nature of my proposed request, and indicating that I wished to obtain *ex parte* orders without giving notice to the defendants. Judge Pacht told me that he would be available to consider the request at 2:00 p.m., and then inquired whether the moving papers were voluminous. When I told him they were quite lengthy, he requested that I send a copy down by messenger that morning, so that he would have a chance to review them before I arrived; I complied with this request.

17. Meanwhile, I had made certain tentative inquiries of the Honorable Steven S. Weisman, a retired judge of the Superior Court, asking whether he would be willing to serve as a receiver if the Court were to appoint him. I outlined the general nature of the allegations and what I believed the task of the receiver would be. Judge Weisman told me that he would probably be willing to serve as receiver. At the same time that I furnished copies of the proposed pleadings to Mr. Tapper, I also furnished Judge Weisman with a complete set, so that he would have an opportunity to familiarize himself with all of the allegations and with the proposed receivership order. After learning from Mr. Tapper on December 29 that the Attorney General would approve the filing of the lawsuit in the name and on behalf of the people, I notified Judge Weisman and requested that he accompany Mr. Tapper and me to court when the action was filed and the *ex parte* application presented. On the morning

of January 2, I called Judge Weisman again, and arranged for him to come to Department 85 with me and Mr. Tapper at 2:00 p.m.

18. On the afternoon of January 2, the *ex parte* application was presented to Judge Pacht, the action was filed, Judge Weisman was appointed as receiver, and he qualified by signing the oath and filing his bond.

19. Judge Weisman does not employ any lawyers or other staff, except a part-time secretary. In order to discharge his duties as receiver, he appointed me and Messrs. Gibson and Rafael Chodos to assist him in collecting documents which he had been ordered to take into his possession. On the morning of January 3, Mr. Gibson and I, accompanied by an agent from the Department of Justice, went to the offices of Rader, Cornwall, Kessler & Palazzo and Worldwide Advertising in Century City. Copies of the summons and complaint were served on Mr. Kessler, and arrangements were made to have several file drawers of accounting records in his possession and relating to the charitable corporations copied by Beverly Hills Blueprint. Service was also made on Worldwide Advertising, and Mr. Gibson collected certain documents pertaining to the affairs of the charitable corporations (including executive payroll) from those offices.

20. Meanwhile, Judge Weisman and Rafael Chodos had gone to the offices of the charitable corporations in Pasadena, accompanied by other agents of the Department of Justice, in an attempt to take possession of records in accordance with the order. I joined them in Pasadena later in the day. Considerable difficulties were encountered in collecting these records, which occasioned further attendance by Mr. Chodos, Mr. Gibson, and myself at the Pasadena offices on January 3 and January 4. Ultimately, Judge Weisman employed Michael J. Clemens, Esq. to assist him, and Mr. Gibson, Rafael Chodos, and

I did not undertake to provide any further assistance to the receiver.

21. On January 4, I was notified that the defendants had employed Allan Browne and Ervin, Cohen & Jessup to represent them in this matter. The first adversary court appearance took place on the afternoon of January 4, when Mr. Browne presented an *ex parte* application to vacate the receivership, and filed a peremptory challenge to Judge Pacht. Since that time, there have been numerous court hearings and court proceedings had in this matter, all as reflected in the Court's file.

22. Mr. Gibson and Rafael Chodos continued to assist me in preparing for and conducting the three-day hearing which took place before Judge Title in Department 3 on January 10, 11, and 12; and they also provided some assistance with matters occurring after that hearing. By and large, however, I have personally handled most litigation matters associated with this lawsuit since January 2. I have personally attended virtually every court hearing and responded to virtually motion and *ex parte* application for relief made by defendants in this case. I have personally drafted and prepared every court paper filed by plaintiff in this action.

23. In addition, I have personally prepared all papers filed on behalf of the People in the Court of Appeal, successfully defending against the defendants' applications for prerogative writs and stay orders. Finally, although I consider myself disqualified from appearing in the Supreme Court of the State of Californa (because I am a member of the Commission on Judicial Performance, which has undertaken to investigate various charges of misconduct recently asserted against members of that Court), I consulted extensively with Mr. Tapper concerning the content of papers to be filed in the Supreme Court in opposition to the defendants' petition for hearing and request for stay.

24. In addition, I personally prepared and conducted the defense of the State of California in a federal suit filed by the defendants in Los Angeles to terminate the receivership. I personally appeared in court and argued the matter before Judge Firth, and drafted every responsive paper except one motion to dismiss, which was drafted by lawyers from the Tort Section of the Attorney General's office (in view of the fact that the defendants' federal suit also sought $700,000,000 in damages against Messrs. Younger, Deukmejian, and Tapper).

25. Finally, after a federal suit was filed by Church members in Texas (acting, in my opinion, under the direction of defendants Armstrong and Rader), I spent considerable time in locating and retaining Texas counsel to investigate and deal with the matter; in reporting to the Superior Court and in obtaining an order from the Superior Court directing that any response be made or directed by me (and Texas counsel of my selection) on behalf of the State of California; and in consulting with Texas counsel about how to deal with the Texas federal suit.

26. In addition to the foregoing matters, I also successfully opposed an application for leave to intervene in this action by Church members, which application for leave to intervene was denied by Judge Weil on February 20.

27. In addition to court hearings and court papers, as above set forth, I have also spent enormous amounts of time in telephone conversations and meetings with opposing counsel, with the receiver and his lawyers, with Mr. Tapper, and with Church members and employees wishing to provide me with information pertinent to the maintenance and prosecution of the suit.

28. Because of the pace at which this litigation and the associated federal and appellate proceedings have

been conducted, I have not yet had a full opportunity to prepare a detailed statement of my activities, the time spent in connection with them, or the costs and expenses I have incurred in this matter. I have, however, commenced such a study and can estimate that my own time to date comes to approximately 375 hours. At my usual rate of $200 per hour, this means that my fees incurred to date are approximately $75,000.

29. In addition to the time above set forth, I estimate that out-of-pocket costs incurred to date by me personally amount approximately to $2,000. My usual hourly rate of $200 is intended to cover and include all normal overhead costs of my practice and my office. Thus, no additional claim will be made by me for library expense, secretarial time or overtime, the time of my assistant (equivalent to para-legal time billed by most firms at $50 per hour), routine photocopying (as distinct from high-volume, non-recurring photocopy jobs), or routine telephone charges. I do make claim for certain photocopy costs and certain unusual long-distance telephone expense, as well as other unusual out-of-pocket expenses.

30. In addition to my own time and expense, I have been advised by the other lawyers involved in this case that their time spent and expenses incurred to date are approximately as follows:

Hugh John Gibson	$11,000.00
Rafael Chodos	7,800.00
Cohn & Lifland, Peter Pearlman and Jeffrey Herrmann	5,000.00
Potter, Guinn, Minton, Roberts & Ireland and Leonard Davis (Texas counsel)	3,172.50

31. I and all of the other lawyers who are involved in this case are in the process of preparing detailed affidavits setting forth the work done, the time spent, and the

costs expended. These will be filed with, and submitted to, the Court in due course in support of this application. It is my intention that these affidavits will include all time and expenses incurred through March 1, 1979, the day on which the Court presently proposes to terminate the receivership.

I declare under penalty of perjury that the foregoing is true and correct.

Executed this 27th day of February, 1979, at Beverly Hills, California.

/s/ Hillel Chodos
HILLEL CHODOS

SUPPLEMENTAL EXHIBITS TO MOTION FOR RETURN OF PROPERTY ILLEGALLY OBTAINED AND SUPPRESSION OF ALL USE, DIRECT OR INDIRECT, OF THE PROPERTY OBTAINED; MEMORANDUM OF POINTS AND AUTHORITIES AND DECLARATIONS IN SUPPORT THEREOF

SUPERIOR COURT OF THE STATE OF CALIFORNIA
FOR THE COUNTY OF LOS ANGELES

THE PEOPLE OF THE STATE OF CALIFORNIA,
Plaintiff,

vs.

WORLDWIDE CHURCH OF GOD, INC.,
a California corporation, *et al.*,
Defendants.

Hearing Date: March 14, 1980

Time: 9:00 a.m.

Department: 80

Attached hereto are the following Supplemental Exhibits to Motion for Return of Property Illegally Obtained and Suppression of All Use, Direct or Indirect, of the Property Obtained; Memorandum of Points and Authorities and Declarations in Support Thereof, which exhibits were inadvertently omitted from the original exhibits filed in connection with said motion.

Said Supplemental Exhibits are as follows:

EXHIBIT 17 DECLARATION OF SHIRLEY TIMMONS [*]

EXHIBIT 18 PORTION OF "REPORTERS' PARTIAL TRANSCRIPT OF PROCEEDINGS", January 5, 1979

DATED: March 6, 1980.

Respectfully submitted,

SCHWALB, DONNENFELD, BRAY & SILBERT
Earl J. Silbert

MORGAN, WENZEL & MCNICHOLAS
W. Marshall Morgan

ERVIN, COHEN & JESSUP
Allan Browne
Allan B. Cooper
George P. Schiavelli
Allan Gabriel
March J. Sobel

HORVITZ, GREINES & POSTER
Ellis J. Horvitz

HARNEY & MOORE
David M. Harney

By /s/ Allan B. Cooper
ALLAN B. COOPER
Attorneys for Defendants

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[*] Printing of this declaration omitted since the declaration is printed at 143b of this Appendix.

EXHIBIT 18

* * * *

[8] MR. H. CHODOS: That is our purpose and good faith implementation. We will stipulate to that.

MR. BROWNE: All right, Your Honor.

One other point—two other points. I would like the court to rule on the deputization of Mr. Chodos and his office to collect and act on behalf of the receiver.

I am sure that that order was made in good faith by Judge Weisman. I am not in any way questioning the fact that he was doing what he thought was best under the circumstances.

But frankly, it really gives an adversary an edge where a receiver is—where the parties are concerned, because in fairness, I think the receiver should maintain an independent position.

If Mr. Chodos wants a document, and I agree to it, then he should be able to have a look at it, and expect it vice versa.

But on the other hand, if he wants a document and I don't agree with it, it seems to me we ought to go to law and motion and work it out. And I don't think a deputization of him, picking up and inspecting and having the ability to get a look at those things is appropriate, and I would request an order on that point.

MR. H. CHODOS: Your Honor, I can save the court a problem. I will tell the court that I am happy to be relieved of my responsibilities as a deputy to Judge Weisman. I am [9] still a deputy for the Attorney General, was granted leave concerning my relator.

I think Judge Weisman is authorized to employ counsel and accountants. We have been acting to help him because there wasn't anybody else to help.

As long as we are permitted to attend and view records on behalf of the Attorney General as a party to this lawsuit, I am perfectly content to have Judge Weisman

hire 25 lawyers to do the work we've been doing, and we can get some sleep.

That will solve that problem, as long as the Attorney General and me are given an opportunity to make our comments to the receiver.

MR. BROWNE: Your Honor, I got a problem with that. The Corporations Code clothes the Attorney General with the right to investigate these trusts, and I am not quarreling with that. But without getting into a long harangue about these relators, they involve a dissident group in the church, Your Honor, and I don't feel comfortable, with all due respect to Mr. Chodos, and I am not casting any aspersions, having those documents in anyone else's hands or being deputized by the Attorney General, because I feel that it puts us at an unfair advantage with respect to those relators.

THE COURT: I don't see any problem, because he is acting as an attorney, as a deputy attorney general in representing legally the position of the Attorney General.

* * * *

EXCERPTS FROM ATTORNEY GENERAL'S OPPOSITION TO MOTION FOR RETURN OF PROPERTY ILLEGALLY OBTAINED, ETC.

SUPERIOR COURT OF THE STATE OF CALIFORNIA
FOR THE COUNTY OF LOS ANGELES

No. C 267-607

THE PEOPLE OF THE STATE OF CALIFORNIA, *et al.*,
Plaintiff,

v.

WORLDWIDE CHURCH OF GOD, INC.,
a California Corporation, *et al.*,
Defendants.

Hearing Date: 3/14/80

Time: 9:00 A.M.

Dept.: 80

INTRODUCTION

Eight of the defendants in this action here move for an order for the return of documents (allegedly their property) which they allege were illegally seized by the court-appointed receiver and attorneys for plaintiff. They also move for an order suppressing the plaintiff's use of such documents in evidence or for any other purpose.

Plaintiff opposes the motion in all respects and makes the following contentions in this opposition:

* * * *

II

THE CORPORATE AND INDIVIDUAL DEFENDANTS ARE TRUSTEES OF CHARTIABLE [sic] TRUSTS; EXAMINATION OF THE TRUSTEES' RECORDS BY TRUST BENEFICIARIES OR THEIR REPRESENTATIVES DOES NOT CONSTITUTE AN ILLEGAL SEARCH AND SEIZURE UNDER THE FOURTH AMENDMENT BECAUSE A TRUSTEE HAS NO REASONABLE EXPECTION [sic] OF PRIVACY IN THE CONTENTS OF TRUST RECORDS

A. *The Assets of Defendant Non-Profit Corporations Are Impressed With A Charitable Trust*

The California Supreme Court has many times held that all of the assets of a corporation organized exclusively for charitable purposes are held by it in trust. In *Pacific Home* v. *County of Los Angeles* (1953) 41 Cal.2d 844, 851-852, the court held that the assets of a nonprofit corporation were irrevocably dedicated to charitable purposes and that it therefore qualified for exemption from property taxes. The court based its holding on the ground that the corporation held its assets in trust for the charitable purposes enumerated in its articles, and that those assets could therefore never be diverted from such purposes. In that regard the court stated as follows:

> "[A]ll the assets of a corporation organized solely for charitable purposes must be deemed to be impressed with a charitable trust by virtue of the express declaration of the corporation's purposes, and notwithstanding the absence of any express declaration by those who contribute such assets as to the purpose for which the contributions are made. In other words, *the acceptance of such assets under*

these circumstances establishes a charitable trust for the declared corporate purposes as effectively as though the assets had been accepted from a donor who had expressly provided in the instrument evidencing the gift that it was to be held in trust solely for such charitable purposes." (41 Cal.2d 852, emphasis added.)

It is well established that religious purposes are charitable and that the assets of a nonprofit corporation formed for religious purposes are impressed with a charitable trust. (*In re Metropolitan Baptist Church of Richmond, Inc.* (1975) 48 Cal.App.3d 850; *Wheelock* v. *First Presb. Church* (1897) 119 Cal. 477.) In general throughout the United States religious purposes are regarded as charitable and trusts for religious purposes are enforced as charitable trusts. (See IV Scott on Trusts (3d ed.) § 371, p. 2880.)

The state attorneys general are charged with the duty to enforce charitable trusts because the fulfillment of the purposes of charitable, including religious, organizations is thought to be of general benefit to society as a whole. In that sense, such entities are trustees of their assets for public benefit and hold such assets in trust for the religious or charitable purposes set forth in their governing documents. (*Pacific Home* v. *County of Los Angeles, supra,* at 851-852; *In re Metropolitan Baptist Church of Richmond, Inc., supra,* at 857.) Any diversion of such funds is a breach of trust. (*In re Metropolitan Baptist Church of Richmond, Inc., supra,* at 857; *Holt* v. *College of Osteopathic Physicians & Surgeons* (1964) 61 Cal.2d 750, at 759-760.) In California and in many other states the attorney general is the only party other than corporate directors or trustees (who in this case are the very persons accused of wrongdoing) who has standing to enforce a charitable trust. (*Holt* v. *College of Osteopathic Physicians & Surgeons, supra,* at 755-757; IV

Scott on Trusts (3d ed.) § 391, p. 3006.) While the public as a whole is the beneficiary of all charitable trusts, members of the public (including in this case members of the Worldwide Church of God) have no authority to bring court actions to enforce a charitable trust.

The United States Supreme Court has recognized that the activities of religious organizations are of general benefit to society as a whole, and has on that basis held that a state grant of property tax exemptions to churches does not violate the establishment clause of the First Amendment. (*Walz* v. *Tax Commission* (1970) 397 U.S. 664, 680.) In discussing the public benefit aspects of religious organizations, Chief Justice Burger, speaking for the Court, observed:

> "New York, in common with the other states, has determined that certain entities that exist in a harmonious relationship to the community at large, and that foster its 'moral or mental improvement,' should not be inhibited in their activities by property taxation or the hazard of loss of those properties for nonpayment of taxes. It has not singled out one particular church or religious group or even churches as such; rather, it has granted exemption to all houses of religious worship within a broad class of property owned by nonprofit, quasi-public corporations which include hospitals, libraries, playgrounds, scientific, professional, historical, and patriotic groups. The state has an affirmative policy that considers these groups as beneficial and stabilizing influences in community life and finds this classification useful, desirable, and in the public interest." (397 U.S. at 672-673, emphasis added)

B. *The Examination of Trust Records By the Beneficiaries or Their Representatives Is Not An Unreasonable Search and Seizure Within the Meaning of the Fourth Amendment Because the Trustee Has No Legal Right or Reasonable Expectation to Keep Trust Finances Secret From the Beneficiary or His Representatives*

The Fourth Amendment to the United States Constitution provides:

> "The right of the people to be secure in their persons, houses, papers, and effects, against unreasonable searches and seizures, shall not be violated, and no warrants shall issue, but upon probable cause, supported by Oath or Affirmation, and particularly describing the place to be searched, and the person or things to be seized."

The amendment prohibits only *unreasonable* searches and seizures. Reasonableness, with the inherent pragmatism that term implies, is therefore the standard by which every other term is measured. "Whether the government's activity is considered a 'search' depends upon whether the individual's reasonable expectations of privacy are disturbed." (*Davis* v. *U.S.* (1967) 413 F.2d 1226, 1232 (2nd Cir. 1969), citing the test formulated in *Katz* v. *U.S.* 389 U.S. 347 (1967), which first defined reasonableness for Fourth Amendment purposes in terms of the individual's expectation of privacy.) Katz held that an individual using a public phone booth had a reasonable expectation of privacy which prevented the government from eavesdropping on his conversation electronically, without a warrant.

The law is settled that a trustee has the duty to give full and accurate information concerning trust assets to the beneficiary and to permit him to examine the trust property and accounts. (*Union Trust Company of*

San Diego v. *Superior Court* (1938) 11 Cal.2d 449; *Scott On Trusts* (3d ed.) § 173.) The trust beneficiary is even entitled to inspect an opinion of counsel obtained by the trustee to guide him in the administration of the trust. (*Ibid.*)

Accordingly, in *Strauss* v. *Superior Court* (1950) 36 Cal.2d 396, our state Supreme Court upheld the validity of a trust beneficiary's subpoena duces tecum to the trustee compelling him to produce all trust financial records for a period of 15 years; this in a proceeding to perpetuate testimony at a time when the beneficiary had not even filed an action accusing the trustee of any wrongdoing. The Court based its holding on the right of the trust beneficiary to inspect all trusts books and records. (*Strauss* v. *Superior Court*, *supra*, at 401.) Moreover, the Court rejected the contention that such a broadly worded subpoena constituted an unreasonable search and seizure in violation of the Fourth Amendment. (36 Cal.2d at 403.) It is therefore settled law that a trustee has neither a legal right, nor a reasonable expectation, of privacy in the books and records of the trust vis-a-vis the trust beneficiary or his representative.

If there is no such reasonable expectation of privacy in trust records it follows that the beneficiary's inspection of such records does not constitute an unreasonable search and seizure within the meaning of the Fourth Amendment. (*Katz* v. *U.S.*, *supra*, at 353; *Davis* v. *U.S.*, *supra*, at 1232.)

The notion that the trustee has no reasonable expectation of privacy in trust records against the beneficiary of the trust is not a unique one. An analogy is found in the rationale adopted by the United States Supreme Court in permitting warrantless searches by federal regulatory agencies of the premises of businesses which are part of certain heavily regulated industries.

> "Certain industries have such a history of governmental oversight that no reasonable expectation of privacy, see *Katz* v. *U.S.* 389 U.S. 347, 351-352 (1967), could exist for a proprietor over the stock of such an enterprise. Liquor (Colonnade) [*Colonnade Catering Corp.* v. *United States* (1970) 397 U.S. 72] and firearms (Biswell) [*United States* v. *Biswell* 406 U.S. 311 (1972)] are industries of this type . . . ." (*Marshall* v. *Barlow's, Inc.* (1978) 436 U.S. 307, 313.)

Similarly, the financial records of trustees have been traditionally subject to close scrutiny by courts of equity and by the trust beneficiary; and of course, in the case of charitable trusts, the state attorney general represents the beneficiary, and indeed is the only party having legal standing to do so.

C. *An Accountant Employed By a Charitable Trustee Who is in Possession of Trust Financial Records Has No Expectation of Privacy in Them*

The moving papers contend that the actions of attorney Hillel Chodos in collecting corporate financial records from the offices of the corporation's accountants, Rader, Cornwall, Kessler and Palazzo, constituted an illegal search and seizure. Applying the above analysis, however, it is clear that the accountant for a charitable trust has even less of an expectation of privacy in keeping its records secret from the trust beneficiary or his representative than does the trustee himself. For under California law, the accountant must surrender such records to the corporation upon demand. Title 16, Cal.Admin. Code, § 68, provides in pertinent part as follows: "A licensee of the Board, [of accountancy] after demand by or on behalf of a client, for books, records or other data that are the client's records shall not retain such records." Since the

accountant has no right to withhold records from the trust, he has even less right to withhold them from the beneficiary.

* * * *

DECLARATIONS FILED WITH DEFENDANTS' REPLY TO OPPOSITION TO MOTION FOR RETURN OF PROPERTY ILLEGALLY OBTAINED

DECLARATION OF VALERIE V. SEARLS

I, VALERIE V. SEARLS, hereby declare as follows:

(1) That I have firsthand personal knowledge of the facts herein stated and could and would competently testify thereto, under affirmation, if called as a witness.

(2) I am an employee of the Worldwide Church of God working in the Executive Offices on the fourth floor of the Church Administration Building in Pasadena, California. My job is that of Secretary.

(3) On January 3, 1979, I came to work at 7:30 a.m. At approximatley 9:00 a.m., I was informed that men from the Attorney General's office were in the building demanding all our files in the office.

(4) Later, I left the office for a time. When I returned, I found men from the Attorney General's office were attempting to gain entrance. Two of the men I later learned were Hillel and Rafael Chodos, deputy attorneys general.

(5) I saw a security guard open the door for the Attorney General's men and they all hurried inside. I followed them. Then the following occurred:

(a) They rummaged through every office in the executive suite including the offices of Mr. Herbert W. Armstrong, Pastor General and Apostle of the Church, and Stanley R. Rader, Chief Adviser and Personal Assistant to Mr. Armstrong.

(b) They would grab out files by bundles and take them to another area to look at.

(c) They would look at all the material and take out what they wanted and put it in different stacks.

(d) When we asked for identification, we either received no response or they simply flipped open their wallet, showed a card and closed it.

(e) I, and the other secretaries, kept trying to identify what documents they were looking at, but they would simply ignore us, or merely flip the file in front of our faces, and then go on about their business of grabbing more files.

(f) When they pulled out various files and documents that they thought they wanted, they stacked them up on a desk.

(g) The two Chodos and the other men with them were going through drawers, cabinets, files, and closets, etc., so fast, and in so many different areas at once, that it was impossible for us to even monitor or observe the files and records they were going through or pulling out, or what files they took and what they left. They even went through a closet containing Mr. Armstrong's personal items, including books, magazines, old boxes of Mr. Armstrong's correspondence, etc.

(h) At the time the Attorney General's men came into the office, there were about 11 boxes of documents in the office which had been brought there from the former office of Ray Wright who had previously been Assistant Vice President for Finance of the Church and who had been moved to a different position. On top of the boxes was a list summarizing items which were in the different boxes. The men looked at the list and then began to open the boxes and look at various documents.

(i) Finally, at about 5:00 p.m. the men locked everyone out of the executive offices who was em-

ployed by the church or college while they stayed in there. They gave us no receipts or inventory of anything they looked at or took. I was told by Judge Weisman that I was fired, but then he said I was being given a holiday, and if I "cooperated," it was indicated I might be allowed to keep my employment.

(7) When we were allowed back into the office about five days later, the offices were in a shambles. There were papers, dirty coffee cups, cigarette butts and ashes, etc. scattered about the office. One of our Xerox machines was smoking. All the boxes of documents from Ray Wright's office were gone. We were never informed what became of them. They were never returned to our office. I do not know what else was taken.

(8) During the time that the Attorney General's men were using our offices, they ran two of our Xerox machines making copies of documents. One of the machines was actually burned out so that it had to be replaced and the other had to be repaired. We know that they were copying church documents because of the bad copies we found in the trash by the Xerox machines. I personally looked at a number of such bad copies and recognized them as some of our documents. We do not know what they did with all the other copies they made as none of said copies were left in our offices.

Executed this 12th day of March, 1980, at Pasadena, California.

I declare under penalty of perjury that the foregoing is true and correct.

/s/ Valerie V. Searls
VALERIE V. SEARLS

DECLARATION OF MARY ELLEN DAHLGREN

I, MARY ELLEN DAHLGREN, hereby declare as follows:

(1) That I have firsthand personal knowledge of the facts herein stated and could and would competently testify thereto under affirmation if called as a witness.

(2) I am an employee of the Worldwide Church of God working in the Executive Offices on the 4th floor of the Church Administration Building in Pasadena, California. My job is that of Executive Secretary to the Pastor General and Apostle of the Church, Herbert W. Armstrong.

(3) On January 3, 1979, I came to work at 8:00 a.m. At approximately 9:00 a.m., I was informed by another secretary in the office that men from the Attorney General's office were in the building demanding all our files in the office. The other secretaries in the office and I locked the doors to the executive suite until we could get legal advice.

(4) At that point, a man whom I later learned was Rafael Chodos, a deputy attorney general, started banging on the door to the office. A policeman with Mr. Chodos also started banging on the door and yelling that "you are obstructing justice." Another secretary explained that we wanted to get some legal advice, and then the officer began yelling obscene and insulting remarks. A policeman began banging on the glass door with his night stick, stating that he would arrest us when the door was opened.

Shortly thereafter, the policeman left and was replaced with employees from the Attorney General's office.

(5) The private elevator to the executive suite was then turned off. I was told that it was done by an em-

ployee of the Church upon the orders of someone from the Attorney General's office. We were now sealed off from the outside world.

(6) A short while later, we heard a key placed in the lock to the executive suite, and the door opened. A large number of men, including Hillel and Rafael Chodos, who identified themselves as Deputy Attorney Generals, rushed into the room, and then the following occurred:

(a) They rummaged through every office in the executive suite including the offices of Mr. Herbert W. Armstrong, Pastor General and Apostle of the Church, and Stanley R. Rader, Chief Adviser and Personal Assistant to Mr. Armstrong.

(b) They would grab out files by bundles and take them to another area to look at.

(c) They would look at all the material and take out what they wanted and put it in different stacks.

(d) When we asked for identification, we either received no response or they simply flipped open their wallet, showed a card and closed it.

(e) I, and the other secretaries, kept trying to identify what documents they were looking at, but they would simply ignore us, or merely flip the file in front of our faces, and then go on about their business of grabbing more files.

(f) When they pulled out various files and documents that they thought they wanted, they stacked them up on my desk. Others they would hand back to one of the secretaries and say something like, "Here, we don't want these."

(g) The two Chodos' and the other men with them were going through drawers, cabinets, files, and closets, etc., so fast, and in so many different

areas at once, that it was impossible for us to even monitor or observe the files and records they were going through or pulling out, or what files they took and what they left.

(h) At the time the Attorney General's men came into the office, there were already certain documents boxed up in the office which had been brought there from the former office of Ray Wright who had previously been Assistant Vice President for Finance of the Church and who had been moved to a different position. The Attorney General's men moved some of the boxes to a desk top, then rummaged through them.

(i) I was told by Judge Weisman that I was fired, but I could take a week vacation with pay, and if I cooperated and decided my loyalties were with him, I could come back to work.

(j) Finally, the men locked everyone out of the executive offices who was employed by the church or college while they stayed in there. They gave us no receipts or inventory of anything they looked at or took.

(7) When we were allowed back into the office about five days later, all the boxes of documents from Ray Wright's office and the documents that had been stacked on my desk, were all gone. We were never informed what became of them. The boxes of documents from Ray Wright's office were never returned to our office.

(8) During the time that the Attorney General's men were using our offices, they ran two of our xerox machines making copies of documents. One of the machines was actually burned out so that it had to be replaced and the other had to be repaired. We know that they were copying church documents because of the bad copies we found in the trash by the xerox machines. I person-

ally looked at a number of such bad copies and recognized them as some of our documents. We do not know what they did with all the other copies they made as none of said copies were left in our offices.

Executed this 12th day of March, 1980 at Pasadena, California.

I declare under penalty of perjury that the foregoing is true and correct.

/s/ Mary Ellen Dahlgren
MARY ELLEN DAHLGREN

EXCERPTS FROM TRANSCRIPT OF ORAL ARGUMENT ON MOTION FOR RETURN OF PROPERTY

Los Angeles, California

Friday, March 14, 1980, A.M. Session

[1] THE COURT: All right, number one. This is Case No. C 267 607, People of the State of California vs. Worldwide Church of God, Inc., for which we have on calendar a motion of defendants for a return of property illegally obtained and suppression of all use direct or indirect, of the property obtained. And counsel reading from left to right are:

MR. BRAINARD: Lauren Brainard, Deputy Attorney General for the plaintiff, The People of the State of California.

MR. CORDI: James Cordi, Deputy Attorney General for the plaintiff and respondent.

MR. SILBERT: Earl J. Silbert for the defendants, your Honor.

THE COURT: Mr. Silbert and

MR. BROWNE: Allan Browne of Ervin, Cohen & Jessup, the moving party.

MR. MORGAN: Marshall Morgan for the moving party, your Honor.

* * * *

[15] THE COURT: I think we can stipulate that it was not a search warrant. Is there any argument that it was?

MR. CORDI: There is an argument, your Honor, that it was the legal equivalent of a search warrant to the extent that a warrant was necessary.

THE COURT: When I say we can stipulate that it [16] wasn't a search warrant, what I meant by that was it was not a document which informed, said search war-

rant, but whether the document which in form or in fact authorized to be done that which was done pursuant to it, don't think is necessarily depending on what its title was.

MR. CORDI: That is correct. It was not a search warrant under the Penal Code which has specific provisions that apply to search warrants.

MR. SILBERT: We will go further than that. We are not basing this motion on a label, if the court please. What a search warrant under California law, whatever its label, must contain is a description. It must particularize and that's the language of the constitutions and the statutes, the places to be searched and the things to be seized, and one could look in vain at that temporary receiver's order, Exhibit 5, in the submission that we made to you for any mention whatsoever of any particularization of the items to be seized or the places to be searched. In addition to that, one could review the declarations filed in support of that order forever without coming up with mere suspicion let alone probable cause that we submit would be requisite whether or not it's labeled as a search warrant. We are not here before your Honor on the question of labels or semantics. We are here on the underlying substance, the factual submissions that were presented to Judge Pacht, and, if I may proceed on that, it's inconceivable in our view, your Honor, that in his wildest imagination when he signed that order on January 2nd appointing a temporary receiver, [17] that Judge Pacht ever envisioned that the next day deputy attorneys general specially appointed for that purpose in the company of agents of the Department of State, and the police would forcibly enter the premises of the church, threaten their people with arrests if they did not cooperate.

* * * *

[37] THE COURT: I think what we have before us is a much narrower thing in one sense and a broader thing in another sense. We have a Fourth Amendment argument pure and simple. I think the more that we are arguing on the First Amendment, the more we are going back to the things that I am really not arguing today, which is issue number one, was the ex parte TRO receiver appropriate in the first place, the First Amendment arguments against that, and all of the First Amendment arguments against the right of this action to be brought in any event. Those are all very interesting arguments but, again, I don't think that they are really what is before the court today.

MR. CORDI: I agree and I have now completed that topic and I will move on.

THE COURT: All right.

MR. CORDI: Your Honor, the exclusionary rule has [38] never been applied to the civil case by the United States Supreme Court, and U.S. versus Janus, in that case the majority, Mr. Justice Blackman speaking said just exactly that. The Marshall case didn't do so. That has nothing to do with exclusion of evidence and let me point out that the Marshall case said at page three twenty, "To obtain a warrant, it is sufficient that a governmental agency show only that reasonable legislative or administrative standards for conducting an inspection are satisfied with respect to a particular business or place." And the court affirmed that if a valid public interest justifies the intrusion contemplated, then, there is probable cause to issue a suitably restricted search warrant. Your Honor, we are not talking about probable cause to believe that a crime has been committed, and particular evidence of that crime is in a particular place. We are not talking about probable cause to believe that the interest of the church and its members in not being defrauded by management needs protection. That probable cause has been established over

and over again. So the question is not whether the First, whether the Fourth Amendment applies in the abstract, your Honor, to a civil case. The question more narrowly is whether the exclusionary rule ought to apply, and I would suggest to the court that it has never been applied by the United States Supreme Court to a civil case, and, I think, that the question of whether it ought to, speaking respectfully, your Honor, is one that is really for the appellate courts. It's a matter of new laws. You are familiar with the argument that we have made [39] as to why it should not be applied. I will not go over again. They have been made in the moving papers. Let me say that the defendants attempt to make much of the fact that Mr. Chodos characterized himself as a specially appointed deputy attorney general. Your Honor, Mr. Chodos had no more authority than that court order gave him. If he had been, in fact, a deputy attorney general, he would have had no more authority than that court order gave him. The issuance of the court order and its implementation are state action just as much as the action of a deputy attorney general. The question is not whether it is a state action, the question is whether the action is reasonable, and the only exception, I think, has been shown by the affidavits of Tapper and Chodos that the only exception upon the church's accountant, Mr. Kessler, from whom most of the records which we have were obtained was the exception that is inherent in any court order. Now, we cited the Strauss case which, indeed stands for the proposition that the trust beneficiary may subpoena trust assets. Excuse me, may subpoena trust records. You should also know—your Honor—that Zurcher vs. The Stanford Daily, which we cited, stands for the proposition that where First Amendment rights or interests are involved, the parties are not limited to subpoenas. The case stands for exactly that proposition. A search warrant was used in that case. The argument was made that because First Amend-

ment interests are involved here that the state can only proceed by subpoena duces tecum in which the respondents would have [40] an opportunity first before the court and that argument was rejected.

* * * *

EXCERPTS FROM A HEARING ON CONTINUING THE RECEIVERSHIP

TRANSCRIPT

January 5, 1979

* * * *

[8] THE COURT: You may call your first witness.
MR. R. CHODOS: Judge Weisman.

STEVEN S. WEISMAN,

called as a witness by the plaintiff, was sworn and testified as follows:

[9] THE CLERK: Please be seated. Would you kindly state your name for the record.
THE WITNESS: Steven S. Weisman.
MR. BROWNE: Could I request, Your Honor, that counsel stand behind the counsel table. It will facilitate my hearing a little better. Thank you.
MR. R. CHODOS: Counsel does not object to my raising my voice?
MR. BROWNE: Not at all.
MR. R. CHODOS: I accede to your request.

DIRECT EXAMINATION

BY MR. R. CHODOS:

Q Judge Weisman, would you please inform the court a bit of your background and your connection with this matter?

A Well, I was appointed to the Municipal Court in 1956; elevated to the Superior Court in 1959. On the Superior Court I sat mainly in nonjury, probate, law and discovery.

I retired from the Superior Court bench on September 15, 1977.

What else do you want to know?

Q Your connection with this matter, if any.

It is well known in the papers that you are the court-appointed receiver.

A That is true.

Q Did you take the oath of the receiver?

[10] A Yes, I did.

Q Did you post a bond as a receiver?

A Yes, I did.

Q You have seen the order of Judge Pacht, have you not, appointing you as receiver?

A Yes, I did.

Q Did you come with me or with any other person in the recent past with that order to the property at 300 West Green Street in Pasadena?

A Yes.

Q When did you do that?

A January—it seems a long time ago; it was only day before yesterday.

Q Is that the 3rd of January?

A Yes.

Q At approximately what time of the day did you go?

A It was right around 9 o'clock, perhaps a little before.

Q What did you do when you got to the campus? Which building did you go to?

A I went to the administration building.

Q Were you accompanied by any other persons?

A Yes.

Q Do you recall, without necessarily calling their names, what persons you were accompanied by?

A Well, there was a Mr. Nelson from the Attorney General Security, a Mr. Lawson from the Attorney General— [11] I think they call it the Fraud Audit Depart-

ment—I might be wrong—and a Mr. Stats from the Fraud Audit Department; you, Mr. Chodos, and your brother Hillel Chodos.

Q Was he there at that time?

A No. You're right, he was not there. He came there later. I'm trying to remember if anyone else was there; I don't recall anyone else.

Q All right. Do you recall presenting the order appointing you receiver to anybody at that building at that time?

A Yes. We showed it to Mr. LaRavia. I don't have his name right.

* * * *

[80] Q [MR. BROWNE:] Now, you have deputized, as I understand it, according to exhibit 1, Mr. Chodos and others in his office to act on your behalf; is that correct?

A Uh-huh, yes.

* * * *

[84] Q Did you at any time instruct Mr. Chodos to go to the office of Mr. Jack Kessler to pick up any documents?

A Jack Kessler?

Q Yes. He is an accountant in the firm of Rader, Cornwall and Kessler.

* * * *

[85] A Well, if that is it, the answer is yes, if that is the firm.

Q What documents did you ask Mr. Chodos to pick up?

A None in particular. Whatever he could find, I think.

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EXCERPTS FROM HEARING TO CLARIFY RECEIVERSHIP ORDER

REPORTERS' TRANSCRIPT OF PROCEEDINGS

Monday, January 8, 1979

* * * *

[7] * * *

Mr. Chodos:

* * * *

Mr. Browne would like to have Your Honor believe that this is some kind of adversary proceeding between two parties entitled to equal presumptions.

The People of the State of California, on the one hand, and Mr. Browne and his clients, whoever they may be, on the other hand. He has given us some hearsay declarations about whom he is entitled to represent. We know he represents Mr. Rader. He may or may not be entitled to represent the church. He may or may not be entitled to represent Mr. Armstrong. That all remains to be seen.

He said he is. He thinks he is. But it is simply not correct, Your Honor, that this is a civil lawsuit in which the processes of the discovery are a necessary preface to investigation of documents.

The Attorney General of the State of California, and his deputies, have not only the power, but the duty, at any time to investigate all the books and records, 100 percent of the books and records of any charitable, religious or educational organization because the Radio Church of God, now known as the Worldwide Church of God, derives its position, its existence, from the State of California.

Now those records do not belong to Mr. Browne; they don't belong to Mr. Rader; they don't belong to Mr. Armstrong. There are no privileges, constitutional or other-

wise of a charitable foundation against investigation by the Attorney General.

Now, Mr. Browne would like you to transmit this [8] receivership from what it was intended by this lawsuit and by the order that was made, which is a device for facilitating and assuring inspection by the Attorney General, into a device for frustrating that inspection and delaying it and confusing it.

In effect, what he is advancing to you is that this receiver should be a custodian in the sense of a janitor. He wants Judge Weisman to take these records into an office, put them in a box and then he wants to have a notice and a hearing and an argument, and three days and then a writ, and an appeal, and before we see any records, Your Honor, we will all be of such advanced age as not to be able to remember from one day to the next what is going on.

Now the point is, Your Honor, that Mr. Browne would like to have you believe that there are arguments to be made or rights to be protected on the part of his clients. There are no such rights.

I want to make something clear to Your Honor because I think it is important before you rule.

Not only from Wednesday to Friday night but since Friday night, Your Honor, there has been a massive, massive program of obstruction.

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EXCERPTS FROM A HEARING ON SEVERAL PRELIMINARY MOTIONS

REPORTERS' DAILY TRANSCRIPT

Wednesday, January 10, 1979

* * * *

[7] * * *

Mr. Chodos: Because of the nature of the church, as a charitable trust, the relationship of the court to the church is unique.

Every other party who comes before the court has some claim to its own property, and has some right to resist intervention by the court. But for 700 years, Your Honor, it has been the law in England and America [8] that charitable funds are public funds. They are perpetually in the custody of the court. The court is the ultimate custodian of all church funds, just as the Attorney General has always been charged with the power and the duty to investigate allegations of misuse or even suspicions of misuse.

And the point that I am trying to make, Your Honor, is that the charitable funds is the res or subject matter of this proceding. It isn't a party in the usual sense. It is in Your Honor's safekeeping. It has no interests to protect against the court.

Your Honor has the power and the discretion to safeguard and preserve those assets and the duty to do so. But the church, as a charitable trust, has no interest to protect here. It has no client. It is the court's funds and the court may remove and replace and substitute trustees at its pleasure.

Just as Judge Weisman would have no standing to oppose your decision to remove him, if you were to do it 10 seconds from now, he couldn't hire a lawyer to argue that he should remain in office.

So the trustees of that fund have no standing. And the fund itself, Your Honor, has no interest other than to be preserved and to be applied for the charitable uses for which it was created.

Your Honor is the advocate for the trust. Not Mr. Browne, not the Attorney General, but Your Honor. And I would submit to the court that to allow Mr. Browne [9] to speak for the church, to allow Mr. Browne to tell you what the church wants and doesn't want, when, in fact, he is committed to defend the man who is accused of improperly taking church money for his personal use, is an impossible situation for the court to be in.

And I would suggest that what Mr. Browne ought to do—we are here—I represent the relators, the Attorney General represents the People, and he and I are here to absent ourselves from felicity awhile to tell Your Honor this story.

It is Your Honor's responsibility, as we see it, to do whatever needs to be done to appoint receivers and other agents to do whatever needs to be done to preserve it and protect it, protect the assets and records, and no one has any basis to resist that intervention.

If there is the slightest hint or suspicion—and I submit to you have we have raised it by our papers in ample measure—if there is the slightest hint or suspicion of wrongdoing, let alone proof positive or proof by a preponderance, it is the court's duty, as I understand it, to see to it there is a worthy trustee installed, that an investigation is made, that the facts are exposed.

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EXCERPTS FROM A HEARING ON SEVERAL PRELIMINARY MOTIONS

REPORTERS' DAILY TRANSCRIPT

Wednesday, January 10, 1979

* * * *

[82] MR. CHODOS: Because this is an important matter and because it is of much importance to the church members, I am not talking about my relators, my relators are simply out of this case. They brought their relation. They have obtained leave to sue. I filed the case, and I don't represent them. That is to say they are not my clients. I don't give them my documents. This suit is being brought by and in the name of the People by the Attorney General, and I am helping Mr. Tapper just because he has 30 to 50,000 charitable organizations to supervise and five lawyers to do it with.

I brought this to him. He said, "Fine, you want leave to sue, you will have to help me."

* * * *

EXCERPTS FROM HEARING TO CONFIRM RECEIVER'S APPOINTMENT

REPORTER'S DAILY TRANSCRIPT

Friday, January 12, 1979

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[350] * * *

Mr. Browne: I'll address myself to that, Your Honor.

One of those items they have alleged is a liquidation of assets. All right. And I assume that that would be one of the things you would be concerned about.

The Court: As far as the real property is concerned, I don't think they have made any substantial showing the properties were sold below market value.

Mr. Browne: Another thing they have alleged, that as part of this the church has lined their pockets and have liquidated a lot of these things to make it more easily to convert the money and property to their own use.

That was a bold conclusion. We have shown that all the money for all of the real estate transactions went into the church treasury.

Mr. Bickett testified to that. And we had the deposit slips on that.

I don't know if Mr. Chodos availed himself to look at that, but that was very significant.

In the other proceeding before Judge Foster, Your Honor, the Attorney General made the statement [351] that Ralph Helge had received a—$125,000 of the money and put it in his pocket from the Big Sandy transaction.

There is a half a million dollar down payment, you will recall, on that piece of property which is in escrow.

That was totally inaccurate. I don't know where he got that information.

But Mr. Bickett has shown all the money went into the church treasury. And we have the deposit receipts to prove it.

[352] The problem, Your Honor, is that they have made a lot of accusations, but when it comes down to the proof, they haven't got it.

And do you know why, Your Honor? I would submit it's because they never started their examination.

If they had come in and asked to look at books and records and begun an examination, maybe they would have been more enlightened. But instead they relied upon the information from dissident group church members. And this is a very, very important thing, Your Honor.

It turns out that of these dissidents, one of them, the relators, is married to the private executive secretary of Garner Ted Armstrong, who was disfellowshipped; another is married to Garner Ted Armstrong's brother's widow.

And there is a certain amount of fighting going on for control in this church.

And, Your Honor, the one thing in the world we would not want this court to do—and I don't think this court would want to do it—is to get involved in that decision-making process which in any way would hamper Mr. Armstrong.

* * * *

Mr. Browne: You cannot separate the fabric, Your Honor, of religious spiritual beliefs, and the way and the method by which that belief is disseminated. And Mr. Armstrong has developed this church and built it based upon the principle that he spreads the word of God and the word of Jesus in a particular way. And the one thing that the plaintiffs are complaining most about, which is the spending sprees, I mean the extravagance of it, all the trips, and the Steuben crystal is what precisely has made this church and its members support Mr. Armstrong.

You know there is an old saying, Your Honor, different strokes for different folks. Some people may want to go out around the world and preach the gospel, you know,

in tattered rags, using self-denial as one of the ways to do it, and others do it differently. And it seems to me that our country is broad enough to allow the people to decide for themselves.

What is most important here, Your Honor, is that there has been a complete open communication between Mr. Armstrong and the congregation, telling them what he is doing and how he is doing it. The film we looked at the other day actually presents that and indicates that very graphically.

* * * *

Mr. Browne:

* * * *

[360] Mr. Armstrong is a very prestigious spiritual leader. Why is the most drastic remedy available necessary?

These people have never been guilty of any kind of criminal wrongdoing to justify the presumption that they will not obey a court order.

The last point I would like to make, Your Honor, is that the mere imposition of a receiver will result in a great disgrace in the eyes of the membership, and discrediting of the spiritual leaders. This is not a corporation, in the sense that if IBM has a receiver put into it, or some other corporation, it can talk to the stockholders and explain to them that this is a temporary matter.

This is a grave imposition on the spiritual aspect as well. There are grave accusations made, and my feeling, Your Honor, is that before any great discredit occurs to these leaders, this court should be absolutely certain, absolutely certain of wrongdoing; not suspicion, but certainty, and that it should be thereby a preponderance of the evidence, and there has been no evidence of a substantial nature shown at this juncture, and that any resort to precipitous relief should await the time of trial.

The Court: Thank you, Mr. Browne.

Mr. Browne: Thank you.

The Court: Mr. Chodos.

Mr. Chodos: Thank you, Your Honor. Your Honor, I have to compliment Mr. Browne on the display of [361] virtuosity. He has spoken for a little over 30 minutes, and every single thing he said is wrong.

He started with the premise that we have a heavy burden of proof. And I suggest to Your Honor that that may be true in an ordinary receivership action between private parties, where private interests are at stake, but where charitable trusts are concerned, it is the opposite which is true.

Once the slightest showing sufficient even to raise the court's eyebrow has been made before the court to suggest that there may perhaps be improprieties in the administration of a charitable trust, the presumptions all operate the other way, and the trustee has the burden of coming forward and showing that everything has been fair and regular, and that burden, Your Honor, has not been carried and no attempt has been made to carry it.

Counsel tells you that a receivership is the most drastic remedy, and that may be where the court attempts to interfere with private rights.

In cases like that, the Fourteenth Amendment and the due process clause of the California Constitution interpose themselves between the court and the private party. But there are not private rights here.

This money is public money. This court is the guardian of it today; it was the guardian of it last week; it was the guardian of it in 1948; and it will continue to be the guardian of this money as long as the charitable trust continues to exist.

[362] And I would suggest to the court that it is no more drastic for the court to replace Mr. Rader as the custodian of this trust with Judge Weisman, than it would be for the court to replace Judge Weisman with someone else. This court has the power to remove and replace trustees of a charitable trust at its pleasure, in

order to assure itself that there should never be the slightest question or possibility of dissipation of charitable trust assets.

And the reason for that, Your Honor, is that no one but this court has the power to do that. As Mr. Browne himself has pointed out, and as we have pointed out to you, the people who give this money—not Mr. Kotora, I am not going to speculate whether Mr. Kotora speaks for a hundred thousand members anymore than I am going to speculate whether the people who send me letters and telegrams of congratulations speak for a hundred thousand members. What I do know is that Mr. Armstrong and Mr. Rader and their henchmen, who are part of the palace guard who have been brought here to court to foist off their claims upon you, are the takers, not the givers.

The givers are the people all across the country who send in their tithes and their double tithes and their offerings, and that, Your Honor, is not because they have faith in Herbert Armstrong, but because, I presume, they have faith in God, and because they have believed that Herbert Armstrong and the man he has [363] unfortunately chosen to deputize with control of this church are faithful trustees of God's work. And they themselves, as Your Honor sees in the moving papers, do not blush to remind people that this is God's tithe money.

* * * *

[384] The Court: All right, gentlemen. I am going to make some comments about this matter, to the extent my voice will hold out.

I think, first, I should point out that while it is self-evident—it has been mentioned many times—that I should make it very clear that the remedy which is being sought here by the plaintiffs and that of a receiver is a provisional or temporary remedy pending the trial. And, of course, it is for the purpose of preserving the assets and the operation.

The ultimate decision in the matter will be up to the trial court when this matter is tried.

For that reason I am, incidentally, going to order and I do now order that this matter be given precedence on the calendar for the purpose of trial, and that the counsel for the plaintiff is ordered forthwith to file a motion in Department 1, the master calendar department, to seek as early a trial date as is possible in this matter as a priority matter.

Now, because of the temporary nature of the remedy, it has not been practical for this court nor feasible for this court to hear a full-blown evidentiary matter, and that is the reason why I have attempted, the best way I could, to limit the oral testimony. All of that testimony, of course, will have to be presented at the time of trial, and I am certain will be heard fully at that time.

Now, there isn't any question that the remedy [385] of a receiver, as has been pointed out by all counsel, is a harsh and drastic remedy. It is not to be utilized lightly, but nevertheless, is still one in the sound discretion of the court.

Now, bearing all of those comments in mind, it appears to me that the evidence before me that I have heard and listened to and looked at, including the exhibits, the written declarations, all the exhibits on the declarations, and the oral testimony have indicated the following:

Firstly, there are many serious charges which have been made here against the defendants, and in particular, against Mr. Rader, and even for that matter, Mr. Herbert Armstrong. And basically I think what they boil down to is there have been allegedly extraordinary sums of money which have been diverted for personal benefit, and, again, of the individuals; that valuable properties have been sold and disposed of and transferred for less than market value or for no consideration, and so on.

I don't have to go through the litany of what has been contended here. I think you are all familiar with it.

As I have already indicated, I believe it is not the duty of this court to finally determine those issues, but only to determine whether or not there is any reasonable likelihood that perhaps a trier of fact in the future in this, when this action is heard, will determine that there is some possibility of truth to these charges, probability of truth. And I have to [386] determine whether or not there might be irreparable damages or loss, in the interim, in a lawsuit in which a temporary remedy must of necessity at this time present.

I have also considered, of course, the possibility mere injunctive relief might solve the problem. That is unlikely, and I really have discarded that as a possible remedy here, except in conjunction with others.

Now, I think I have already indicated in my comments to counsel during argument that I don't believe from the state of the evidence that the plaintiff has made any real showing of any substance that properties have been sold below market value.

The declarations which were filed by the plaintiff in this regard have indulged in sheer speculation, conclusion and hearsay regarding the sales, and those are contrary to the specific declarations of the defendants, and unless the appraisals of the defendants are shown to be unreliable or just completely untrue at the time of trial, I don't believe that the plaintiff will be able to establish that the sales heretofore made have been improper in any respect, at least solely on the basis that they were below market value.

[387] There may be other reasons, but certainly on the basis of market value, there really has been no showing. Nevertheless, there have some very serious questions raised here concerning the use and transfer of assets in the form of money and property to those in control of the church.

Again, the weight of the evidence and the final conclusions in regard thereto will have to be determined by the

trial court. But I have heard enough, I think, during the course of these hearings, and from my examination of the documents, to at least give me some cause for concern and to lead me to the conclusion that pending the trial some restraints must be imposed on the operations of the church until the action, as I say, is finally determined.

Now, what have some of these questions amounted to? Well, firstly, there has been an astonishing amount of money expended here by Messrs. Armstrong, Rader and others for many purposes, particularly in connection with so-called travel expense, the purchase of extensive gifts and so forth.

Now, certainly, some expenditures along that line are completely proper and permissible, and they are certainly within the discretion of those persons who are authorized to determine whether they should be made.

Of course, the persons have to be authorized, it seems to me—They have to be authorized to indicate [388] and decide what amounts of money should be expended. And the authority of those persons allegedly authorizing them have to be persons, as I say, who are in proper authority in the church.

These are questions which are open to, I think, some arguments, and will have to be examined very carefully at the time of trial.

Now, it can generally—with reference to the conduct of the affairs of the church, the administration of its assets and the expenditures over the last several years, and up to the present time—it seems to be conceded that in spite of the fact that the articles are filed in this corporation under the nonprofit clause of the State of California, and in spite of the fact there are specific provisions in the articles and bylaws which place control in the board of directors, it seems, nevertheless, to be conceded that for many years this was essentially a one-man operation, with Mr. Armstrong making all the decisions on a completely unilateral basis; and perhaps even

more recently it has been a two-man operation, in the sense that both he and Mr. Rader are acting jointly. And of course, as you all know, there is some suggestion—at least there is an inference, because of Mr. Armstrong's possible inability to continue with his activities, either because of advancing age or infirmity or disability of one kind or another—that perhaps it is now basically a one-man operation, again with Mr. Rader conducting the affairs of the church.

[389] All of these issues will have to be very carefully scrutinized by the trial court, and they all represent reasons why the court is concluding here that some restraints have to be placed on the conduct of the church business from this point forward, or at least until trial.

Mr. Chodos: Could you speak a little more in the microphone, Your Honor?

The Court: I will do the best I can. I am gradually running out of steam.

There have some serious inferences which have been also raised concerning various transactions between Mr. Rader and the church, from claims of self-interest, possible conflicts in interest; again all of those being problems which are going to have to be resolved in the trial court.

But there has been enough in the way of questions raised which, again, place the court on notice that there might conceivably be some problems on the part of Mr. Rader with reference to the church. Some of these relate to his possible involvement in, for example, leasing aircraft to the church and having an interest in the leasing company; various other business dealings with the church. I am not going into those now in detail, but they all, again, will have to be examined by the trial court.

* * * *

The Court:

* * * *

[392] Now the court is fully aware of the potential damage which has been argued very ably by Mr. Browne, the damage which might accrue to the church if the operations were brought to a halt or seriously interrupted by the appointment of a receiver and by injunctive means. And, of course, I have to do the best I can to balance this threat against what the plaintiff contends will be irreparable damage if this situation is permitted to continue.

I do note in that regard that while I think it is perfectly clear that there was some immediate and serious damage to the church when the receiver was first appointed, it seems to have geared up again. The computers are now operating again, and as I understand it, the operation is now presently back and it is operating—maybe not as efficiently as before because of the confusion caused by the receivership—but nevertheless it is operating.

Now, bearing all of these considerations in mind, and bearing in mind the history of what has occurred since the receiver was appointed, I am going to make the following orders in the matter:

Firstly, all prior orders regarding the appointment of the receiver and any restraining orders are vacated and dissolved.

Secondly, Judge Steven S. Weisman—under the assumption that he accepts the appointment—is appointed as receiver pendente lite in the matter of the three corporate defendants to carry out the duties which will be specified in this order.

[393] The three corporations—rather than name them each individually as we deal with this problem—will be just referred to by me as the church, generally.

Now, the receiver is to take possession and control of the church, including all of its assets, both real and personal, tangible and intangible, of every kind and description, except as I otherwise provide in the order.

Now, in spite of this order of possession, it is the further order of the court that all the authorized employees of the church shall be permitted to continue to carry out their duties and to continue all activities and operations of the church.

The receiver nevertheless shall have the right and power to supervise and monitor all of the business and financial operations and activities of the church; however, he shall not interfere therein, unless he determines in his sound discretion that such interference is necessary to avoid damage or loss to the church of any kind.

Now if he so determines, he shall then have the right to take over the management and control to the extent that he deems it necessary in his sole discretion.

Now the receiver is also empowered to hire and employ and retain his own counsel, accountants and any other personnel, employees which he deems necessary to assist him in the discharge of his duties under this order.

He is authorized to pay to them reasonable compensation out of the funds and assets of the church, subject to the supervision of this court as it is needed and as hereafter [394] provided.

Also except as otherwise provided in the order, with reference to Messrs. Armstrong and Rader, the receiver is authorized to suspend or terminate any employee, officer or agent of the church in his sole discretion as he deems necessary. That will be subject, however, to any contractual employment rights which the suspended or terminated employee or party may have.

And he shall also have the right to direct that any such officer or employee or agent not be permitted access to the grounds or facilities of the church from and after the date of that termination or suspension.

Now it is not the purpose of this court nor the intention of this court to allow the receiver to interfere in any way with ecclesiastical functions of the church, as dis-

tinguished from the college or the foundation, and the receiver is orders not to do so.

[395] This receivership will concern itself exclusively with the financial and business affairs of the church. The ecclesiastical affairs of the church will continue to be controlled and directed by its duly authorized ecclesiastical authorities, notwithstanding the authority of the receiver to terminate or suspend persons from employment as already ordered.

Such termination or suspension from employment shall in no way affect the membership or standing in the church.

Now, in the event that any dispute arises between the receiver and the ecclesiastical authorities of the church over whether or not a particular matter is, in fact, ecclesiastical in nature, those authorities are authorized to employ counsel to apply to this court for a resolution of that dispute, and that dispute will be resolved by the court.

Any such counsel so employed may thereafter apply for reasonable compensation from the church funds to the court, and the court will make an order for reasonable attorney's fees, if they are justified under the circumstances.

Now regarding the books and records. The receiver shall have possession and control of all the books and records of the church, but those books and records shall be made available for the use of the employees of the church in the carrying out of all their duties.

Those books and records shall also be made available to the representatives of the plaintiffs, [396] for use in preparing for the trial in this action.

I have already indicated, I believe, that while the receiver only has the right to supervise and monitor the business and financial operations, and shall not interfere unless he deems it necessary, that he shall have the right to interfere if he does determine in his own discretion

that it is necessary to interfere. And to that extent he will have the right and it is so ordered that he has the right to take over any portion of that operation he deems necessary in order to protect the church and its assets.

Now Messrs. Armstrong and Rader will be permitted to continue in their prior functions as representatives and authorities of the church, unless and until they are, either of them, removed by proper action of the church, pursuant to the laws and the articles and bylaws of the church, or unless they are removed by further order of the court pursuant to an application on the part of the receiver.

Now if the receiver deems it necessary at any time hereafter pending the trial to move the court to remove either Mr. Armstrong or Mr. Rader or both, the receiver may file a petition with the court on notice to the defendants, and the court will hear the matter and make a determination on that issue.

However, subject to their rights under the existing employment contracts which they have—that in which Messrs. Armstrong and Rader have—to the [397] extent that those rights may be hereafter determined by the court, their compensation for services and any expenses that are incurred by them during the course of that employment, shall only be in such amounts as may be determined by the receiver in his discretion from time to time.

The receiver is authorized to conduct a thorough audit of the financial and business dealings of the church, and to commence that audit forthwith. And he shall have the right to compensate his professional assistants in regard to that audit out of the church treasury, and it shall all be subject to supervision of the court as hereinafter provided.

The receiver is also to review all allegations of malfeasance and neglect concerning the financial and business affairs of the church, and to apply to the court where

appropriate for leave on behalf of the church for any relief which may be necessary.

Now anything that I have said to the contrary, it shall not be necessary initially for the receiver to take possession of, nor to deposit in any special receiver's account, the funds of the church now or hereafter received by the church; but the receiver shall supervise the deposits and disbursements of the funds by the church in accordance with this order.

The funds of the church shall continue to be handled by its employees in the same manner and with the same bookkeeping, accounting and disbursement procedures [398] as were in effect at the time of the commencement of the ex parte receivership, subject to the supervision of the receiver. But in any event, the receiver in his discretion shall have the right at any time by notification to the court and the defendants to take possession and control of the funds of the church forthwith, and deposit them in a special receiver's account, if he deems it necessary. That will be something completely in the discretion of the receiver.

Now, until there has been a final disposition of this matter by trial and an order of the trial court, the defendants and each of them and all of their agents, employees and all persons acting in concert with them are hereby enjoined and restrained from interfering with or obstructing the receiver in the discharge of his duties, or from withholding from him any of the assets, properties, books, or records of the church; and they are further enjoined and restrained from selling, mortgaging, encumbering, or otherwise disposing of any of the assets of the church or its associated corporations.

Notwithstanding this injunction that I have just referred to, however, based upon the appraisal of the Big Sandy campus of Ambassador College at Big Sandy, Texas, as set forth in the declaration of Michael Wierwille of Valuation Research Corporation, of the sale of

said real property for the sum of $10.6 million as provided for in the pending escrow covering that sale shall be permitted to go forward to a conclusion of said sale.

[399] Now it is the purpose and intention of the court under this order to secure the full cooperation of the church authorities and the employees with the receiver, and of the receiver with such authorities and employees to the end that the affairs of the church shall only be minimally interfered with until this action can be tried.

Now all the authorities and employees of the church are ordered to use reasonable efforts to extend that cooperation to the receiver.

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EXCERPTS FROM FURTHER HEARING

TRANSCRIPT

February 21, 1979

* * * *

[127] [MR. CHODOS]: As I understand our role, and as I say, I represent the People of the State of California. I do not represent the relators. They're not seeking anything. They are not parties. I don't advise them. They have made their relation to the Attorney General, and he has deputized me along with him to represent the State of California, and that is the only client I have, the public interest in this charitable trust.

And that is the only interest I am seeking to undertake. The people who came to me have no interest in this lawsuit.

THE COURT: That is news to me. You said you were leaving the case. You didn't say anything about the relators.

MR. CHODOS: The relators are functus officio in this case.

THE COURT: I don't know that it matters, but I'll hear you.

MR. CHODOS: Let me suggest to the court the following problem.

We believe that the role of the Attorney General in charitable trust matters is to call to the court's attention what he believes may be a need for court intervention, but the duty runs from the court to the church, not from the court to the Attorney General.

The court, as we understand it, is a representative of the public. If the Attorney General were the court, he would not be content with asking Mr. Rader to account or asking Mr. Rader's subordinates to account.

* * * *

[135] Now, that still takes us to the point that the receiver ought to be continued.

And I say what does the evidence show? There has been some showing, and I concede this. There has been some showing that there really is a lack of bona fide cooperation on the part of the church people.

I think they have actually started out on a tact of attempting to frustrate the receiver and the audit. No question in my mind about that from everything I have seen and heard.

* * * *

[COURT]: On the other hand, I don't think there is enough there for me to now say that keeping the receiver in will accomplish anything, because I don't see that it will. The purpose of the receiver really is a twofold purpose at this point.

There is a primary purpose which you outlined to me, Mr. Chodos. That is to say, of securing the audit.

Now, the audit can go forward under the auspices of the Attorney General. The second purpose was to protect the assets. Well, the real estate out in Pasadena is not going to get up and walk away. There are records out there.

If there is some demonstration that those [136] records have been fooled around with, I haven't heard it yet. There has been some suggestion and some vague evidence that I didn't put too much credence on at the time of the hearing that something had been shredded, but what had been shredded turned out to be really not of much consequence.

* * * *

LAST PAGE OF ACCOUNTING FIRM'S LIST OF DOCUMENTS

6914 A.C. Big Sandy
Fixed Assets Sales & Disposal
Pages 24-27
December 31, 1976

6915 A.C. Schedule of Grant & Scholarships
December 31, 1976
Schedule V

6916 A.C. Depreciation Schedule
For The Year Ended December 31, 1976
Schedule VI

6917 A.C. Schedule of Other Expenses
December 31, 1976
Schedule VII

6918 Plus 2 tapes K.M.
recorded on Norelco both sides each! K.M.

Supreme Court, U. S.
FILED
SEP 12 1980
MICHAEL RODAK, JR., CLERK

80-197

No. 80-5516

IN THE

Supreme Court of the United States

October Term, 1980

WORLDWIDE CHURCH OF GOD, INC. *et al.*,

Petitioners,

vs.

THE PEOPLE OF THE STATE OF CALIFORNIA,

Respondent.

MEMORANDUM IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI.

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THE PEOPLE OF THE STATE OF CALIFORNIA,

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MEMORANDUM IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI.

Respondent submits this memorandum in opposition to the petition for writ of certiorari. Petitioners challenge certain actions of a receiver *pendent lite* (appointed by the trial court to safeguard assets of three charitable non profit corporations and obtain an accounting) as being illegal searches and seizures. Respondent believes that a brief in opposition to this petition is unnecessary for the reason that the Fourth Amendment arguments raised here have been previously raised by these petitioners, in a prior petition for a writ of certiorari. Respondent filed a brief in opposition to that prior petition, and this Court denied certiorari on June 2, 1980. (See, case No. 79-1348, October Term, 1979.) In that petition these same petitioners challenged a series of six discovery orders of the trial court as lacking the "factual basis and narrow scope required by both the First and Fourth

Amendments." (Petition No. 79-1348, p. 29.) Those orders required disclosure to respondent of financial information similar to that contained in the financial records of which the receiver took possession. (Petition No. 79-1348, p. 29.) Petitioners also there argued that such discovery orders were the product of an illegal search and seizure by the receiver, in that the Attorney General had based his requests for discovery upon information gathered in that allegedly illegal search, and in that the trial court had enforced this discovery by means of the orders which petitioner there sought to have this Court review. (Petition No. 79-1348, p. 41.) In support of their arguments, petitioners there cited many of the same cases they now cite in the instant petition. (Petition No. 79-1348, p. 42, note 71.)

In addition, respondent submits that the instant petition is premature. The instant petition challenges the validity of the receiver's action, taken pursuant to court order, in taking possession of some of petitioners' financial records. The validity of the receiver's action may hinge, in part, upon the legality of the order appointing him, which order is now on direct appeal in the California Court of Appeal, 2d Appellate District, Civil No. 57321. While the instant petition does not appear to argue that the receiver was illegally appointed, the validity of his appointment will certainly affect the validity of his subsequent actions, which petitioners here attack. Respondent therefore submits that this

court should abstain from acting on the instant petition under the principles of *Younger v. Harris* (1971) 401 U.S. 37, and *Moore v. Sims*, (1979) .... U.S. .... , 60 L.Ed 2d 994. Respondent fully briefed the abstention issue in its brief in opposition to the above-mentioned prior petition for writ of certiorari in case No. 79-1348.

Respectfully submitted,

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TABLE OF CONTENTS

	Page
Introduction	1
Argument	2
I. The Petition in No. 79-1348 Did Not Present the Fourth Amendment Issues Raised Herein	2
II. No Pending State-Court Proceeding Warrants This Court's "Abstention"	4
Conclusion	5

TABLE OF AUTHORITIES

Cases:

Mapp v. *Ohio*, 367 U.S. 643 (1961)	3
Stanford v. *Texas*, 379 U.S. 476 (1965)	2, 3, 4
United States v. *Calandra*, 414 U.S. 338 (1974)	3
United States v. *Ceccolini*, 435 U.S. 268 (1978)	3
United States v. *Janis*, 428 U.S. 433 (1976)	3
Wolf v. *Colorado*, 338 U.S. 25 (1949)	3

Constitutional Provisions:

United States Constitution—

Amendment I	6
Amendment IV	2, 3, 5, 6
Amendment XIV	2, 3, 5

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REPLY BRIEF OF PETITIONERS

INTRODUCTION

Pursuant to Rule 22.5 of the Rules of this Court, petitioners Worldwide Church of God, Inc., *et al.*,[1] file this brief in reply to respondent's "Memorandum in Opposition to Petition for Writ of Certiorari," filed with this Court on September 12, 1980.[2]

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[1] *See* Petition at (ii) (identifying petitioners). Respondent State of California will be referred to herein as "the Attorney General" and "the State," alternatively.

[2] Disclaiming the need to argue for denial of review in the form of a brief, the Attorney General purports instead to file a "memorandum" opposing the instant petition. Memorandum at 1. *But see* Rule 22.1.

ARGUMENT

I. THE PETITION IN No. 79-1348 DID NOT PRESENT THE FOURTH AMENDMENT ISSUES RAISED HEREIN.

The Attorney General's contention that the Fourth Amendment claims raised in the instant petition are identical to those presented in the Petition for Writ of Certiorari in *Worldwide Church of God, Inc.* v. *Superior Court*, No. 79-1348, *cert. denied*, 100 S.Ct. 2974 (1980), Memorandum at 1, is frivolous. The petition in No. 79-1348 sought review of six state-court judgments denying relief from a series of discovery orders (and an anciliary enforcement decree) directed against petitioners commencing on March 13, 1979, in an ongoing civil suit. The instant petition seeks review of a state trial court's refusal to order the return of papers and other non-contraband items seized in a raid of church premises on January 3 and 4, 1979, in violation of the Fourth and Fourteenth Amendments—a refusal of the relief specifically required by *Stanford* v. *Texas*, 379 U.S. 476 (1965), *see* Petition at 13-14, 17 & n.8, to which the Attorney General does not even refer.

The petition in No. 79-1348 involved Fourth Amendment issues only insofar as petitioners there argued, among other things, that the discovery orders in question were invalid to the degree that they (1) were "tainted . . . by the path the State [had] followed in obtaining them," Petition in No. 79-1348 at 41; and (2) were issued without a judicial determination either that the suspicions of misconduct offered by the Attorney General to justify those orders had any factual basis, or that the State's legitimate aims could be achieved by no less intrusive means. *Id.* at 29-31. But precisely because the validity of the January 3 and 4, 1979, search and seizure *itself* was not before this Court in No. 79-

1348, petitioners there stressed that the infirmities of that search and seizure were relevant *only* insofar as the challenged discovery orders might be regarded not simply as the fruit of evidence already seized illegally by the State, but as the continuation "of an indiscriminate search and seizure that [was] not yet complete." Reply Brief of Petitioners in No. 79-1348 at 7 n.12. *See id.* at 7.[3] Thus the Fourth Amendment contentions advanced by petitioners in No. 79-1348 do not even intersect those presented in this petition, which *for the first time* seeks direct review by this Court of the validity of the search and seizure of January 3 and 4, 1979, under the Fourth and Fourteenth Amendments.[4]

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[3] Regarded solely as the alleged fruit of an already completely illegal search and seizure, the discovery orders challenged in No. 79-1348 could have been struck down by this Court only if the exclusionary rule were deemed applicable and the taint deemed not to have been dissipated. Cf. *United States* v. *Ceccolini*, 435 U.S. 268 (1978); *United States* v. *Janis*, 428 U.S. 433 (1976); *United States* v. *Calandra*, 414 U.S. 338 (1974). No such determinations need be made here, since the instant petition does not call upon this Court to exclude or suppress any evidence or its fruits. *See* n.4 *infra*.

[4] The Fourth Amendment's substantive standards, of course, were applied to the states through the Fourteenth Amendment long before *Mapp* v. *Ohio*, 367 U.S. 643 (1961). *See Wolf* v. *Colorado*, 338 U.S. 25 (1949). Whether petitioners would also be entitled on remand to the suppression of various uses at trial of illegally-seized papers and effects upon their return is no more relevant here than it was in *Stanford* v. *Texas*, *supra*. *See* Petition at 17 n.8.

II. NO PENDING STATE-COURT PROCEEDING WARRANTS THIS COURT'S "ABSTENTION."

The Attorney General's suggestion that "the instant petition is premature," Memorandum at 2, is also wholly without merit. Although petitioners in the pending state-court appeal in *California* v. *Worldwide Church of God, Inc.*, 2d Civ. No. 57321 (Ct. App.), attempt to challenge, among other things, the subsequently-vacated *ex parte* receivership order of January 2, 1979, under the supposed auspices of which the Attorney General's deputies and other agents on January 3 and 4, 1979, conducted the search and seizure challenged herein, *see* Petition at 5-9; Brief of Appellants in 2d Civ. No. 5732-1 at 41 n.34, 73, 76, at issue in that appeal is *not* whether materials already seized are to be suppressed or returned," *id.* at 82 (emphasis added), but whether various receivership orders and injunctive decrees should be set aside. *Id.* at 3-4.

At issue *here*, however, are *precisely* (1) the legality of the search and seizure conducted by the Attorney General's deputies and other agents on January 3 and 4, 1979, under the nominal supervision of the court-appointed receiver, *see* Petition at (i), 5, 9, 12; and (2) the validity of the lower court's judgment refusing to order the return of the documents and other non-contraband items illegally seized on January 3 and 4, 1979, contrary to *Stanford* v. *Texas*, *supra*. *See* Petition at 13-14, 17 & n.8. That *this* judgment is final and not subject to further direct or collateral state-court review (petitioners having exhausted all avenues of discretionary state-court review), *see id.* at 17 n.8, is not disputed by the Attorney General. "Abstention" is thus wholly inapposite, since vindication of the federal constitutional claims—or even consideration of the arguments—that petitioners advance herein would not follow from success on the merits in the pending

state-court appeal. Hence, the relief petitioners seek would remain unavailable.[5]

CONCLUSION

The Attorney General opposed petitioners' motion for the return of illegally-seized papers and other non-contraband items on the twin grounds (1) that Fourth and Fourteenth Amendment protections are inapplicable to searches and seizures of a church's or other charitable organization's premises or property by state law-enforcement agents, and (2) that such protections in any event cease to apply whenever a court-appointed receiver is involved. In response to these arguments, the court below refused to order the return of petitioners' illegally-seized papers and effects.

Because the search and seizure through which those papers and effects were seized met none of the Fourth

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[5] As the Attorney General concedes, this petition makes no claim "that the receiver was illegally appointed." Memorandum at 2. Nor would invalidation of the search and seizure in question follow from a state-court determination in 2d Civ. No. 57321 that the January 2, 1979, *ex parte* order failed to install a valid receivership. For an order insufficient to sustain a receivership might nonetheless be defended as sufficient to support a search and seizure. And, in any event, the Attorney General has consistently justified the search and seizure here as having touched no private rights, App. 205b-212b, 228b-229b, and thus as having required *no* court order whatever: on the Attorney General's view, "[since] there is no . . . reasonable expectation of privacy in [a church's] records it follows that [the State's] inspection of such records does not constitute an unreasonable search and seizure within the meaning of the Fourth Amendment." *Id.* at 210b. *See* Petition at 10-11. Finally, the Attorney General certainly does not suggest that the Fourth Amendment claims asserted by petitioners here could be vindicated on a motion to suppress at trial. When such a trial will take place (if ever), and how much of the material illegally seized will then be offered into evidence (if any), are impossible to say. In any event, it bears repeating that the right claimed here—a right to the return of property lawlessly seized by the State—is a right for which the prospect of possible suppression is obviously no substitute.

Amendment's requirements—much less the heightened requirements applicable where First Amendment rights are also at stake, *see* Petition at 11—this case squarely presents to this Court, for the first time, two extraordinary breaches in the Fourth Amendment wall hitherto surrounding private property—breaches justified by the Attorney General on principles wholly inimical to liberty under law. Thus the instant petition should be granted and the judgment below should be reversed.

Respectfully submitted,

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* Petitioners acknowledge the assistance of David H. Remes of Cambridge, Mass., in the preparation of this reply brief.